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PRODUCTIVITY AND COSTS
First Quarter 1986

The Bureau of Labor Statistics of the U.S. Department of Labor today reported preliminary productivity data--as measured by output per hour of all persons--for the first quarter of 1986. The seasonally-adjusted annual rates of productivity change in the first quarter were:

2.3 percent in the business sector,
3.4 percent in the nonfarm business sector,
2.4 percent in manufacturing,
2.0 percent in durable goods manufacturing, and
3.0 percent in nondurable goods manufacturing.

First-quarter measures are summarized in table A and appear in detail in tables 1 through 5. Productivity rose in all sectors in the first quarter, and combined with moderate gains in hourly compensation, contributed to declining unit labor costs.

Business

Productivity increased at a 2.3 percent annual rate during the first quarter of 1986 in the business sector, as output rose 3.8 percent and hours of all persons engaged in the sector increased 1.4 percent (seasonally adjusted annual rates). During the fourth quarter of 1985, productivity had declined 3.9 percent, as output grew more slowly than hours (table 1). The increase in output during the first three months of 1986 was the largest since the first quarter of 1984 (when output rose at a 13.6 percent annual rate).

Hourly compensation increased at a 1.7 percent annual rate during the first quarter of 1986, the smallest quarterly gain in this series since the third quarter of 1983 (when it rose 1.5 percent). This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, declined at a 0.6 percent annual rate during the first quarter, the first decline in this measure since the first quarter of 1984. During the fourth quarter of 1985, these costs rose at a 7.5 percent annual rate.

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), increased at a 0.2 percent annual rate in the first quarter, compared with a 0.9 percent decline in the fourth quarter of 1985.

Table A. Productivity and costs: Preliminary first quarter 1986 measures
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
			PRELIMINARY			
			Percent change from preceding quarter			
Business	2.3	3.8	1.4	1.7	0.2	-0.6
Nonfarm business	3.4	4.0	0.6	2.4	0.9	-1.0
Manufacturing	2.4	2.4	0.0	0.9	-0.5	-1.4
Durable	2.0	0.6	-1.4	0.6	-0.8	-1.3
Nondurable	3.0	5.2	2.2	1.8	0.4	-1.1
			Percent change from same quarter a year ago			
Business	0.2	2.3	2.0	3.4	0.3	3.2
Nonfarm business	0.0	2.4	2.4	3.1	0.0	3.1
Manufacturing	2.6	2.3	-0.3	2.8	-0.3	0.2
Durable	2.2	1.1	-1.0	3.4	0.3	1.1
Nondurable	3.3	4.2	0.9	2.0	-1.1	-1.3

The implicit price deflator for the business sector, which reflects changes in unit labor costs and unit nonlabor payments, increased 2.0 percent in the first quarter.

Nonfarm business

Productivity increased 3.4 percent in the nonfarm business sector during the first quarter of 1986, as output rose 4.0 percent and hours of all persons increased only 0.6 percent. While the increase in output was the largest since the first quarter of 1984, the gain in nonfarm hours was the smallest since 1982. During the fourth quarter of 1985, productivity declined 4.1 percent in this sector (table 2).

Hourly compensation increased 2.4 percent in the first quarter, but increased only 0.9 percent when the rise in the CPI-U is taken into account. Unit labor costs declined 1.0 percent, compared with a 7.6 percent rise during the fourth quarter of 1985.

The implicit price deflator for the nonfarm business sector rose 2.8 percent in the first quarter, compared with a 1.8 percent increase one quarter earlier.

Manufacturing

Productivity increased at a 2.4 percent seasonally-adjusted annual rate in manufacturing in the first quarter of 1986, as output rose 2.4 percent and hours of all persons remained unchanged. During the fourth quarter of 1985, manufacturing productivity declined 1.1 percent, as output rose 1.9 percent and hours increased 3.1 percent (table 3).

Hourly compensation of manufacturing workers increased 0.9 percent during the first quarter, but declined 0.5 percent when the increase in consumer prices in taken into account. Unit labor costs fell at a 1.4 percent annual rate, compared with a 4.7 percent increase during the fourth quarter of 1985.

Both the durable and nondurable goods subsectors experienced productivity increases in the first quarter (tables 4, 5). While output increased in both subsectors and hours of all persons increased in nondurables, hours were lower in durable goods manufacturing.

Table B. Nonfinancial corporations: Preliminary fourth quarter and revised annual productivity and cost measures
Quarterly change at seasonally adjusted annual rates
Percent

Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
1985 III-1985 IV	-2.4	0.9	3.3	3.0	-1.2	5.5	-17.5	1.8
1984 IV-1985 IV	0.1	2.5	2.4	3.2	-0.3	3.1	5.3	2.6
1985 Annual	-0.2	2.8	3.0	3.1	-0.4	3.3	5.3	3.1

Fourth quarter measures for nonfinancial corporations

Fourth-quarter 1985 measures of productivity and costs were also announced today for the nonfinancial corporate sector, together with revised annual move-ment (tables B and C). Output per all-employee hour declined 2.4 percent from the third to the fourth quarter of 1985, as output increased 0.9 percent and all-employee hours increased 3.3 percent. This was the second quarter of 1985 during which productivity declined in this sector (table 6). Hourly compensa-tion increased 3.0 percent, but declined 1.2 percent when the rise in the CPI-U is taken into account. Unit labor costs rose 5.5 percent, unit nonlabor costs increased 1.5 percent, but unit profits dropped 17.5 percent (table 6). The implicit deflator for nonfinancial corporate output increased 1.8 percent in the fourth quarter.

Table C. Nonfinancial corporations: Preliminary and revised 1985 annual change in productivity and related measures
Percent

Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
Preliminary	-0.1	2.8	3.0	3.1	-0.4	3.3	5.9	3.1
Revised	-0.2	2.8	3.0	3.1	-0.4	3.3	5.3	3.1

Next release date

The next release of productivity and cost measures is scheduled for 10:00 AM EDT Thursday, May 29, 1986. Released at that time will be preliminary first-quarter measures for the nonfinancial corporate sector, and revised first quarter measures for business, nonfarm business, and manufacturing.

TECHNICAL NOTES

Business sector output is equal to gross national product, less the rest-of-the-world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metals; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes these 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemical and chemical products, petroleum products, rubber and plastic products, foods, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product, less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this news release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contributions of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; managerial skill; and the characteristics and effort of the work force.

Table 1. Business sector: Productivity, hourly compensation, unit labor cost, and prices, seasonally adjusted

	Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost	Unit non-labor payments(3)	Implicit price deflator(4)
					Indexes 1977=100				
1985	I	105.3	121.2	115.1	172.4	98.5	163.8	157.6	161.6
	II	105.5	121.9	115.6	174.3	98.5	165.2	158.2	162.7
	III	105.9	122.6	115.8	176.1	98.9	166.3	158.6	163.5
	IV	104.9r	122.8r	117.1r	177.6	98.7	169.3r	156.2r	164.6r
	ANNUAL	105.3r	122.1r	115.9	175.0r	98.6	166.2r	157.7	163.1
1986	I	105.5p	123.9p	117.5p	178.3p	98.8p	169.1p	159.0p	165.4p
					Percent change from previous quarter at annual rate(5)				
1985	I	1.0	3.6	2.5	4.8	1.5	3.7	-0.9	2.1
	II	0.8	2.3	1.5	4.4	0.4	3.5	1.4	2.8
	III	1.6	2.5	0.9	4.2	1.6	2.5	1.1	2.0
	IV	-3.9r	0.4r	4.5r	3.4	-0.9r	7.5r	-5.8r	2.7r
	ANNUAL	0.1r	2.6r	2.5r	4.0r	0.4r	3.9r	0.7r	2.8
1986	I	2.3p	3.8p	1.4p	1.7p	0.2p	-0.6p	7.2p	2.0p
					Percent change from corresponding quarter of previous year				
1985	I	0.3	3.5	3.1	3.8	0.2	3.4	2.7	3.2
	II	-0.1	2.2	2.3	4.1	0.4	4.1	0.9	3.0
	III	0.5	2.5	2.0	4.1	0.7	3.6	0.8	2.6
	IV	-0.1r	2.2r	2.3	4.2	0.7	4.3r	-1.1r	2.4r
	ANNUAL	0.1r	2.6r	2.5r	4.0r	0.4r	3.9r	0.7r	2.8
1986	I	0.2p	2.3p	2.0p	3.4p	0.3p	3.2p	0.9p	2.4p

See footnotes following table 6.
r=revised
p=preliminary

April 28, 1986
Source: Bureau of Labor Statistics

Table 2. Nonfarm business sector: Productivity, hourly compensation, unit labor cost, and prices, seasonally adjusted

Year and quarter		Output per hour of all persons	Output	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost	Unit nonlabor payments(3)	Implicit price deflator(4)
					Indexes 1977=100				
1985	I	104.1	121.1	116.3	172.1	98.3	165.3	158.8	163.0
	II	104.2	121.8	116.9	173.7	98.2	166.8	160.2	164.5
	III	104.3	122.6	117.5	175.0	98.3	167.8	161.4	165.5
	IV	103.2r	122.7r	118.9	176.4	98.0r	170.9r	157.7r	166.3r
	ANNUAL	103.9r	122.0r	117.5r	174.2r	98.1r	167.7r	159.5r	164.8
1986	I	104.1p	123.9p	119.1p	177.4p	98.3p	170.5p	161.8p	167.4p
					Percent change from previous quarter at annual rate(5)				
1985	I	1.0	3.6	2.6	4.7	1.4	3.6	1.0	2.7
	II	0.2	2.3	2.1	3.8	-0.2	3.6	3.7	3.7
	III	0.4	2.6	2.1	2.8	0.3	2.4	2.9	2.6
	IV	-4.1r	0.6r	4.8r	3.2r	-1.0	7.6r	-8.7r	1.8r
	ANNUAL	-0.3r	2.6r	2.9r	3.7	0.1	3.9	2.1	3.3
1986	I	3.4p	4.0p	0.6p	2.4p	0.9p	-1.0p	10.6p	2.8p
					Percent change from corresponding quarter of previous year				
1985	I	0.1	3.4	3.3	3.7	0.1	3.6	4.1	3.8
	II	-0.4	2.2	2.6	3.8	0.1	4.2	2.5	3.6
	III	0.1	2.6	2.5	3.6	0.3	3.6	2.4	3.2
	IV	-0.6r	2.2r	2.9	3.7	0.1	4.3r	-0.4r	2.7r
	ANNUAL	-0.3r	2.6r	2.9r	3.7	0.1	3.9	2.1	3.3
1986	I	0.0p	2.4p	2.4p	3.1p	0.0p	3.1p	1.9p	2.7p

See footnotes following table 6.
r=revised
p=preliminary

April 28, 1986
Source: Bureau of Labor Statistics

Table 3. Manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted

Year	quarter	Output per hour of all persons	Output (6)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost
				Indexes 1977=100			
1985	I	119.9	119.8	99.9	174.3	99.5	145.4
	II	121.7	120.4	98.9	176.1	99.5	144.7
	III	122.7	121.3	98.9	177.3	99.6	144.5
	IV	122.3r	121.9	99.6	178.8	99.4	146.2r
	ANNUAL	121.6r	120.9	99.3	176.6	99.5	145.2r
1986	I	123.0p	122.6p	99.7p	179.2p	99.3p	145.6p
				Percent change from previous quarter at annual rate(5)			
1985	I	1.3	0.9	-0.5	6.1	2.8	4.7
	II	6.1	2.0	-3.9	4.0	0.0	-2.0
	III	3.2	3.1	-0.1	2.7	0.2	-0.5
	IV	-1.1r	1.9r	3.1r	3.5r	-0.8r	4.7r
	ANNUAL	2.7	2.5	-0.2	4.4	0.8	1.7
1986	I	2.4p	2.4p	0.0p	0.9p	-0.5p	-1.4p
				Percent change from corresponding quarter of previous year			
1985	I	2.7	4.0	1.2	4.6	1.0	1.8
	II	3.3	2.5	-0.8	4.7	1.0	1.4
	III	2.4	1.6	-0.8	4.3	0.9	1.9
	IV	2.4	2.0	-0.4	4.1	0.5	1.7
	ANNUAL	2.7	2.5	-0.2	4.4	0.8	1.7
1986	I	2.6p	2.3p	-0.3p	2.8p	-0.3p	0.2p

See footnotes following table 6.
r=revised
p=preliminary

April 28, 1986
Source: Bureau of Labor Statistics

Table 4. Durable manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted

	Year and quarter	Output per hour of all persons	Output (6)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost
				Indexes 1977=100			
1985	I	121.3	122.6	101.1	172.6	98.6	142.4
	II	122.8	122.8	100.0	174.3	98.5	141.9
	III	123.8	123.4	99.7	175.9	98.8	142.1
	IV	123.3r	123.8	100.4	178.1	99.0	144.5r
	ANNUAL	122.8	123.1	100.3	175.2r	98.7r	142.7r
1986	I	123.9p	124.0p	100.1p	178.4p	98.8p	144.0p
				Percent change from previous quarter at annual rate(5)			
1985	I	2.4	1.2	-1.2	6.7	3.4	4.2
	II	5.3	0.7	-4.3	3.9	-0.1	-1.3
	III	3.0	1.9	-1.1	3.7	1.2	0.7
	IV	-1.4r	1.4r	2.8	5.2r	0.9r	6.7r
	ANNUAL	2.9	2.9	0.0	4.6r	1.0r	1.6r
1986	I	2.0p	0.6p	-1.4p	0.6p	-0.8p	-1.3p
				Percent change from corresponding quarter of previous year			
1985	I	3.6	6.0	2.3	4.3	0.7	0.7
	II	3.6	3.4	-0.2	4.5	0.8	0.9
	III	2.2	1.2	-1.0	4.6	1.2	2.3
	IV	2.3	1.3	-1.0	4.9	1.3	2.5
	ANNUAL	2.9	2.9	0.0	4.6r	1.0r	1.6r
1986	I	2.2p	1.1p	-1.0p	3.4p	0.3p	1.1p

See footnotes following table 6.
r=revised
p=preliminary

April 28, 1986
Source: Bureau of Labor Statistics

Table 5. Nondurable manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted

Year and quarter		Output per hour of all persons	Output (6)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost
				Indexes 1977=100			
1985	I	117.8	115.7	98.2	176.9	101.0	150.1
	II	120.0	116.8	97.4	178.8	101.1	149.0
	III	121.0	118.2	97.7	179.3	100.7	148.2
	IV	120.8	119.1	98.5	179.5r	99.8	148.6
	ANNUAL	119.9	117.4	98.0	178.6r	100.6r	149.0r
1986	I	121.7p	120.6p	99.1p	180.4p	99.9p	148.2p
				Percent change from previous quarter at annual rate(5)			
1985	I	-0.2	0.4	0.6	5.3	2.0	5.4
	II	7.4	3.9	-3.3	4.4	0.3	-2.9
	III	3.5	5.0	1.4	1.2	-1.3	-2.2
	IV	-0.6	2.8	3.4	0.5r	-3.6	1.2
	ANNUAL	2.3r	1.8	-0.5	4.1r	0.5r	1.7r
1986	I	3.0p	5.2p	2.2p	1.8p	0.4p	-1.1p
				Percent change from corresponding quarter of previous year			
1985	I	1.3	0.9	-0.4	4.8	1.2	3.5
	II	2.9	1.2	-1.6	4.9	1.2	2.0
	III	2.8	2.2	-0.6	3.9	0.5	1.1
	IV	2.5	3.0	0.5	2.8	-0.7	0.3
	ANNUAL	2.3r	1.8	-0.5	4.1r	0.5r	1.7r
1986	I	3.3p	4.2p	0.9p	2.0p	-1.1p	-1.3p

See footnotes following table 6.
r=revised
p=preliminary

April 28, 1986
Source: Bureau of Labor Statistics

Table 6. Nonfinancial corporations: Productivity, hourly compensation, unit labor cost, unit profits, and prices, seasonally adjusted

Year	and quarter	Output per all-employee hour	Output	Employee hours	Hourly compensation (1)	Real hourly compensation(2)	Unit labor cost	Unit non-labor cost(7)	Total unit cost (8)	Unit profits (9)	Implicit price deflator (4)
					Indexes 1977=100						
1984	I	106.2	118.9	112.0	164.2	97.1	154.7	172.3	159.1	132.9	156.0
	II	106.7	121.1	113.5	165.6	97.1	155.1	174.0	159.9	139.1	157.4
	III	106.1	121.4	114.5	166.8	96.9	157.2	177.0	162.2	134.3	158.9
	IV	105.8	122.2	115.5	167.9	96.7	158.7	177.9	163.6	135.9	160.3
	ANNUAL	106.2	120.9	113.9	166.1	96.9	156.4	175.3	161.2	135.6	158.1
1985	I	105.8	123.2	116.4	169.4	96.7	160.0	177.6	164.4	138.3	161.3
	II	105.8	123.7	117.0	170.8	96.6	161.5	178.6	165.8	139.1	162.6
	III	106.5	124.9	117.3	172.0	96.6	161.5	177.2	165.5	150.2	163.6
	IV	105.9p	125.2p	118.2p	173.3p	96.3p	163.7p	177.8p	167.2p	143.1p	164.4p
	ANNUAL	105.9r	124.3	117.3r	171.3	96.5	161.7r	177.8r	165.7r	142.7r	163.0
					Percent change from previous quarter at annual rate(5)						
1984	I	4.7	13.9	8.8	4.4	-0.7	-0.3	-3.2	-1.1	32.0	1.8
	II	2.1	7.8	5.6	3.4	-0.2	1.2	4.0	2.0	19.7	3.7
	III	-2.3	1.0	3.4	3.0	-0.8	5.5	7.1	5.9	-13.0	3.8
	IV	-1.1	2.5	3.6	2.8	-0.8	3.9	2.0	3.4	4.9	3.5
	ANNUAL	2.1	9.2	7.0	3.4	-0.8	1.2	-0.5	0.8	26.1	2.9
1985	I	0.1	3.2	3.0	3.4	0.2	3.2	-0.8	2.1	7.2	2.6
	II	-0.2	1.9	2.2	3.5	-0.5	3.8	2.4	3.4	2.2	3.3
	III	2.8	3.8	1.0	2.8	0.2	0.0	-3.2	-0.9	36.0	2.5
	IV	-2.4p	0.9p	3.3p	3.0p	-1.2p	5.5p	1.5p	4.4p	-17.5p	1.8p
	ANNUAL	-0.2r	2.8	3.0	3.1	-0.4	3.3	1.4r	2.8r	5.3r	3.1
					Percent change from corresponding quarter of previous year						
1984	I	3.5	11.8	8.0	3.1	-1.3	-0.4	-3.0	-1.1	52.8	2.6
	II	2.9	10.9	7.8	3.4	-0.9	0.5	-1.6	-0.1	34.9	2.7
	III	1.5	8.3	6.7	3.7	-0.5	2.2	0.2	1.7	17.4	3.1
	IV	0.8	6.2	5.3	3.4	-0.6	2.6	2.4	2.5	9.6	3.2
	ANNUAL	2.1	9.2	7.0	3.4	-0.8	1.2	-0.5	0.8	26.1	2.9
1985	I	-0.3	3.6	3.9	3.1	-0.4	3.5	3.0	3.3	4.0	3.4
	II	-0.9	2.2	3.1	3.2	-0.5	4.1	2.7	3.7	0.0	3.3
	III	0.4	2.9	2.5	3.1	-0.2	2.7	0.1	2.0	11.8	3.0
	IV	0.1p	2.5p	2.4p	3.2p	-0.3p	3.1p	0.0p	2.2p	5.3p	2.6p
	ANNUAL	-0.2r	2.8	3.0	3.1	-0.4	3.3	1.4r	2.8r	5.3r	3.1

See footnotes following table 6.
r=revised
p=preliminary

April 28, 1986
Source: Bureau of Labor Statistics

SOURCES: Output data from Bureau of Economic Analysis, U.S. Department of Commerce, and the Federal Reserve Board. Compensation and hours data from the Bureau of Labor Statistics, U.S. Department of Labor, and the Bureau of Economic Analysis.

RELIABILITY: Productivity and cost measures are regularly revised as more complete information becomes available. Preliminary results are published 30 days after the close of the reference period; revisions appear 30 days later, and second revisions after an additional 60 days. In the business sector, the probability is 0.95 that the third publication (second revision) of a quarterly index of output per hour of all persons will differ from the preliminary value by between -1.7 and +1.9 index points. This interval is based on the performance of this measure between the first quarter of 1976 and the second quarter of 1985.

Footnotes, Tables 1-6

(1) Wages and salaries of the employees plus employers' contributions for social insurance and private benefit plans. Except for nonfinancial corporations, where there are no self-employed, data also include an estimate of wages, salaries, and supplemental payments for the self-employed.

(2) Compensation per hour adjusted for changes in the Consumer Price Index for All Urban Consumers.

(3) Unit nonlabor payments include profits, capital consumption allowances interest, rental payments, and indirect taxes.

(4) Current dollar gross product divided by constant dollar gross product.

(5) Quarterly changes: percent change compounded at annual rate from the original data rather than index numbers. Annual changes: percent change between annual average levels.

(6) Quarterly manufacturing output measures are based on the index of industrial production prepared monthly by the Board of Governors of the Federal Reserve adjusted by BLS to annual manufacturing output levels (gross product originating) from the National Income and Product Accounts prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce.

(7) Unit nonlabor cost includes capital consumption allowances, interest, rental payments, and indirect taxes.

(8) Total unit cost is the sum of labor and nonlabor costs.

(9) Unit profits include corporate profits with inventory valuation and capital consumption adjustments.

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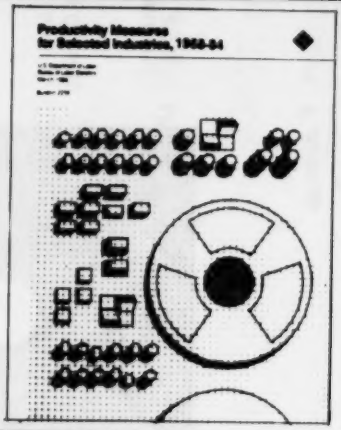

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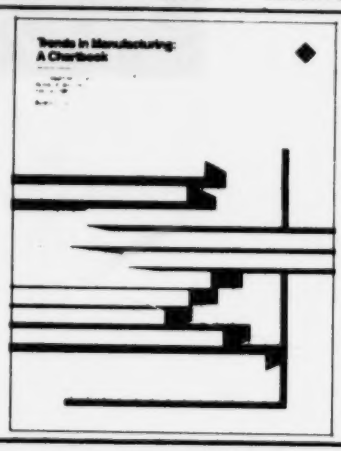

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PRODUCTIVITY AND COSTS
Revised First-Quarter Measures for
Business, Nonfarm Business and Manufacturing and
Preliminary Measures for Nonfinancial Corporations

The Bureau of Labor Statistics of the U.S. Department of Labor today reported revised productivity data--as measured by output per hour of all persons--for the first quarter of 1986. Based on information now available, the seasonally-adjusted annual rates of productivity change in the first quarter were:

2.5 percent in the business sector,
3.6 percent in the nonfarm business sector,
2.2 percent in manufacturing,
2.0 percent in durable goods manufacturing, and
2.5 percent in nondurable goods manufacturing.

First-quarter measures are summarized in table A and appear in detail in tables 1 through 5. Productivity rose in all the above sectors in the first quarter and, combined with moderate gains in hourly compensation, contributed to falling unit labor costs. In nonfinancial corporations, however, productivity declined 0.2 percent in the first quarter, as output rose 3.0 percent and all-employee hours increased 3.2 percent (tables B and 6).

Business

Productivity increased at a 2.5 percent annual rate during the first quarter of 1986 in the business sector, as output rose 4.2 percent and hours of all persons engaged in the sector increased 1.7 percent (seasonally adjusted annual rates). During the fourth quarter of 1985, productivity declined 3.9 percent, as output grew more slowly than hours (table 1). The increase in output during the first 3 months of 1986 was the largest since the second quarter of 1984 (when output rose at a 7.5 percent annual rate).

Hourly compensation increased at a 1.4 percent annual rate during the first quarter of 1986, the smallest quarterly gain in this series since 1969 (when it also rose 1.4 percent in the first quarter). This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, declined at a 1.0 percent annual rate during the first quarter, the largest decline since the second quarter of 1983. During the fourth quarter of 1985, these costs rose at a 7.5 percent annual rate.

Table A. Productivity and costs: Revised first quarter 1986 measures
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
	Percent change from preceding quarter					
Business	2.5	4.2	1.7	1.4	0.0	-1.0
Nonfarm business	3.6	4.5	0.9	2.2	0.7	-1.4
Manufacturing	2.2	2.3	0.1	1.0	-0.5	-1.2
Durable	2.0	0.7	-1.2	0.7	-0.8	-1.3
Nondurable	2.5	4.8	2.2	1.9	0.4	-0.7
	Percent change from same quarter a year ago					
Business	0.2	2.4	2.1	3.4	0.3	3.1
Nonfarm business	0.0	2.5	2.5	3.0	-0.1	3.0
Manufacturing	2.6	2.4	-0.2	2.8	-0.3	0.2
Durable	2.6	1.6	-1.0	3.4	0.3	0.8
Nondurable	2.7	3.6	0.9	2.0	-1.1	-0.7

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), was unchanged in the first quarter, compared with a 0.9 percent decline in the fourth quarter of 1985.

The implicit price deflator for the business sector, which reflects changes in unit labor costs and unit nonlabor payments, increased 1.9 percent in the first quarter.

Nonfarm business

Productivity increased 3.6 percent in the nonfarm business sector during the first quarter of 1986, as output rose 4.5 percent and hours of all persons --employees, proprietors, and unpaid family workers--increased only 0.9 percent. While the increase in output was the largest since the second quarter of 1984, the gain in nonfarm hours was the smallest since 1982, partly reflecting a sharp drop in proprietor hours from high fourth-quarter levels. During the fourth quarter of 1985, productivity declined 4.1 percent in this sector as proprietor hours increased (table 2).

Hourly compensation increased 2.2 percent in the first quarter, but rose only 0.7 percent when the change in the CPI-U is taken into account. Unit labor costs declined 1.4 percent, compared with a 7.6 percent rise during the fourth quarter of 1985. This was the first quarter during which these costs declined since the third quarter of 1983.

The implicit price deflator for the nonfarm business sector rose 2.6 percent in the first quarter, compared with a 1.8 percent increase one quarter earlier.

Manufacturing

Productivity increased at a 2.2 percent seasonally adjusted annual rate in manufacturing in the first quarter of 1986, as output rose 2.3 percent and hours of all persons increased 0.1 percent.

Hourly compensation of manufacturing workers increased 1.0 percent during the first quarter, but declined 0.5 percent when the increase in consumer prices is taken into account. Unit labor costs fell at a 1.2 percent annual rate, compared with a 4.6 percent increase during the fourth quarter of 1985.

Both durable and nondurable goods industries experienced productivity increases in the first quarter (tables 4 and 5). Output increased in both subsectors; hours of all persons increased in nondurables but declined in durable goods manufacturing.

Nonfinancial corporations

Preliminary first-quarter 1986 measures of productivity and costs were also announced today for the nonfinancial corporate sector (tables B and 6). Output per all-employee hour declined 0.2 percent from the fourth quarter of

Table B. Nonfinancial corporations: Preliminary first-quarter productivity and cost measures
Quarterly change at seasonally adjusted annual rates
Percent

Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
1985 IV to 1986 I	-0.2	3.0	3.2	1.3	-0.2	1.6	8.6	2.5
1985 I to 1986 I	0.0	2.4	2.4	2.7	-0.4	2.7	5.6	2.5

1985 to the first quarter of 1986, as output increased 3.0 percent and hours of all employees increased 3.2 percent (table 6). Productivity has declined in 3 of the last 4 quarters in these corporations. The sector includes all corporations doing business in the United States, except banks, stock and commodity brokers, and finance and insurance agencies. Output grew more slowly than in the more comprehensive nonfarm business sector reported above. However, employee hours (there are no self-employed) in nonfinancial corporations rose much more rapidly, contributing to the productivity decline experienced in this sector.

Hourly compensation increased 1.3 percent (the smallest quarterly increase since 1965), but declined 0.2 percent when the rise in the CPI-U is taken into account. Real hourly compensation has also declined in 3 of the last 4 quarters. Unit labor costs rose 1.6 percent, unit nonlabor costs increased 2.7 percent, and unit profits rose 8.6 percent (table 6). The implicit deflator for nonfinancial corporate output increased 2.5 percent in the fourth quarter.

Table C shows indexes of the implicit price deflator for the nonfinancial corporate output and related series from 1977 forward. Changes in price reflect changes in total unit costs and unit profits. Total unit costs consist of unit labor costs and unit nonlabor costs.

Table C. Prices, costs, and profits in nonfinancial corporations
Index, 1977 = 100

Period	Implicit price deflator	Total unit costs	Unit labor costs	Unit nonlabor costs	Unit profit
1977	100.0	100.0	100.0	100.0	100.0
1978	106.6	107.3	107.8	105.7	102.0
1979	115.4	118.2	119.0	115.8	94.5
1980	127.6	133.4	132.3	136.7	85.2
1981	141.7	147.7	143.8	159.1	98.1
1982	149.8	159.5	153.8	176.4	78.5
1983	153.7	160.0	154.5	176.2	107.5
1984	158.1	161.2	156.4	175.3	135.6
1985	163.0	165.7	161.7	177.8	142.7
1985 I	161.3	164.4	160.0	177.6	138.3
II	162.6	165.8	161.5	178.6	139.1
III	163.6	165.5	161.5	177.2	150.2
IV	164.4	167.2	163.7	177.8	143.1
1986 I	165.4	168.0	164.3	179.0	146.1

Revised measures

Preliminary and revised productivity and cost measures for the first quarter are compared in table D for the business and manufacturing sectors. The revised output measures show somewhat larger increases than had been reported on April 28, based on preliminary information then available. Hours of labor input also have been revised upwards.

In manufacturing, new preliminary annual output levels for 1985 reported by the Bureau of Economic Analysis of the U.S. Department of Commerce on May 20 are introduced with this release. As a result, several quarterly productivity changes in 1984 and 1985 were revised somewhat (0.2 percentage points or less).

Table D. Preliminary and revised productivity and related measures, first quarter 1986
Percent change from previous quarter
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Business:						
Preliminary	2.3	3.8	1.4	1.7	0.2	-0.6
Revised	2.5	4.2	1.7	1.4	0.0	-1.0
Nonfarm business:						
Preliminary	3.4	4.0	0.6	2.4	0.9	-1.0
Revised	3.6	4.5	0.9	2.2	0.7	-1.4
Manufacturing:						
Preliminary	2.4	2.4	0.0	0.9	-0.5	-1.4
Revised	2.2	2.3	0.1	1.0	-0.5	-1.2

Next release date

The next release of productivity and cost measures is scheduled for 10:00 AM EDT Wednesday, July 30, 1986. Released at that time will be preliminary second-quarter measures for business, nonfarm business, and manufacturing and revised first-quarter measures for nonfinancial corporations.

TECHNICAL NOTES

Business sector output is equal to gross national product in constant 1982 dollars, less the rest-of-the-world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metals; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes these 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemical and chemical products, petroleum products, rubber and plastic products, foods, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product in constant 1982 dollars, less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this news release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contributions of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; managerial skill; and the characteristics and effort of the work force.

Table 1. Business sector: Productivity, hourly compensation, unit labor cost, and prices, seasonally adjusted

Year and quarter		Output per hour of all persons	Output	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost	Unit non-labor payments(3)	Implicit price deflator(4)
				Indexes 1977=100					
1985	I	105.3	121.2	115.1	172.4	98.5	163.8	157.6	161.6
	II	105.5	121.9	115.6	174.3	98.5	165.2	158.2	162.7
	III	105.9	122.6	115.8	176.1	98.9	166.3	158.6	163.5
	IV	104.9	122.8	117.1	177.6	98.7	169.3	156.2	164.6
	ANNUAL	105.3	122.1	115.9	175.0	98.6	166.2	157.7	163.1
1986	I	105.5	124.0r	117.6r	178.2r	98.7r	168.9r	159.1r	165.4
				Percent change from previous quarter at annual rate(5)					
1985	I	1.0	3.6	2.5	4.8	1.5	3.7	-0.9	2.1
	II	0.8	2.3	1.5	4.4	0.4	3.5	1.4	2.8
	III	1.6	2.5	0.9	4.2	1.6	2.5	1.1	2.0
	IV	-3.9	0.4	4.5	3.4	-0.9	7.5	-5.8	2.7
	ANNUAL	0.1	2.6	2.5	4.0	0.4	3.9	0.7	2.8
1986	I	2.5r	4.2r	1.7r	1.4r	0.0r	-1.0r	7.7r	1.9r
				Percent change from corresponding quarter of previous year					
1985	I	0.3	3.5	3.1	3.8	0.2	3.4	2.7	3.2
	II	-0.1	3.2	2.3	4.1	0.4	4.1	0.9	3.0
	III	0.5	2.5	2.0	4.1	0.7	3.6	0.8	2.6
	IV	-0.1	2.3	2.3	4.2	0.7	4.3	-1.1	2.4
	ANNUAL	0.1	2.6	2.5	4.0	0.4	3.9	0.7	2.8
1986	I	0.2	2.4r	2.1r	3.4	0.3	3.1r	1.0r	2.4

See footnotes following table 6.
r=revised
p=preliminary

May 28, 1986
Source: Bureau of Labor Statistics

Table 2. Nonfarm business sector: Productivity, hourly compensation, unit labor cost, and prices, seasonally adjusted

Year	Quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost	Unit non-labor payments(3)	Implicit price deflator(4)
					Indexes 1977=100				
1985	I	104.1	121.1	116.3	172.1	98.3	165.3	158.8	163.0
	II	104.2	121.8	116.9	173.7	98.2	166.8	160.2	164.5
	III	104.3	122.6	117.5	175.0	98.3	167.8	161.4	165.5
	IV	103.2	122.7	118.9	176.4	98.0	170.9	157.7	166.3
	ANNUAL	103.9	122.0	117.5	174.2	98.1	167.7	159.5	164.8
1986	I	104.1	124.1r	119.2r	177.3r	98.2r	170.3r	161.9r	167.4
					Percent change from previous quarter at annual rate(5)				
1985	I	1.0	3.6	2.6	4.7	1.4	3.6	1.0	2.7
	II	0.2	2.3	2.1	3.8	-0.2	3.6	3.7	3.7
	III	0.4	2.6	2.1	2.8	0.3	2.4	2.9	2.6
	IV	-4.1	0.6	4.8	3.2	-1.0	7.6	-8.7	1.8
	ANNUAL	-0.3	2.6	2.9	3.7	0.1	3.9	2.1	3.3
1986	I	3.6r	4.5r	0.9r	2.2r	0.7r	-1.4r	10.9r	2.6r
					Percent change from corresponding quarter of previous year				
1985	I	0.1	3.4	3.3	3.7	0.1	3.6	4.1	3.8
	II	-0.4	2.2	2.6	3.8	0.1	4.2	2.5	3.6
	III	0.1	2.6	2.5	3.6	0.3	3.6	2.4	3.2
	IV	-0.6	2.2	2.9	3.7	0.1	4.3	-0.4	2.7
	ANNUAL	-0.3	2.6	2.9	3.7	0.1	3.9	2.1	3.3
1986	I	0.0	2.5r	2.5r	3.0r	-0.1r	3.0r	2.0r	2.7

See footnotes following table 6.
r=revised
p=preliminary

May 29, 1986
Source: Bureau of Labor Statistics

Table 3. Manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted

Year and quarter		Output per hour of all persons	Output (6)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost
				Indexes 1977=100			
1985	I	120.0r	119.9r	99.9	174.3	99.5	145.3r
	II	121.8r	120.5r	98.9	176.1	99.5	144.5r
	III	122.8r	121.4r	98.9	177.3	99.6	144.4r
	IV	122.4r	122.0r	99.6	178.8	99.4	146.0r
	ANNUAL	121.8r	121.0r	99.3	176.6	99.5	145.0r
1986	I	123.1r	122.7r	99.7	179.2	99.3	145.6
				Percent change from previous quarter at annual rate(5)			
1985	I	1.5r	1.1r	-0.5	6.1	2.8	4.5r
	II	6.2r	2.1r	-3.9	4.0	0.0	-2.0
	III	3.3r	3.1	-0.1	2.7	0.2	-0.5
	IV	-1.1	1.9	3.1	3.5	-0.8	4.6r
	ANNUAL	2.8r	2.6r	-0.2	4.4	0.8	1.6r
1986	I	2.2r	2.3r	0.1r	1.0r	-0.5	-1.2r
				Percent change from corresponding quarter of previous year			
1985	I	2.8r	4.0	1.2	4.6	1.0	1.7r
	II	3.4r	2.6r	-0.8	4.7	1.0	1.3r
	III	2.5r	1.7r	-0.8	4.3	0.9	1.8r
	IV	2.4	2.0	-0.4	4.1	0.5	1.6r
	ANNUAL	2.8r	2.6r	-0.2	4.4	0.8	1.6r
1986	I	2.6	2.4r	-0.2r	2.8	-0.3	0.2

See footnotes following table 6.
r=revised
p=preliminary

May 29, 1986
Source: Bureau of Labor Statistics

Table 4. Durable manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted

Year and quarter		Output per hour of all persons	Output (6)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost
				Indexes 1977=100			
1985	I	121.8r	123.1r	101.1	172.6	98.6	141.7r
	II	123.6r	123.6r	100.0	174.3	98.5	141.0r
	III	124.7r	124.4r	99.7	175.9	98.8	141.0r
	IV	124.4r	124.9r	100.4	178.1	99.0	143.2r
	ANNUAL	123.6r	124.0r	100.3	175.2	98.7	141.7r
1986	I	125.0r	125.1r	100.1	178.4	98.8	142.8r
				Percent change from previous quarter at annual rate(5)			
1985	I	3.5r	2.3r	-1.2	6.7	3.4	3.1r
	II	6.1r	1.5r	-4.3	3.9	-0.1	-2.1r
	III	3.6r	2.4r	-1.1	3.7	1.2	0.2r
	IV	-1.2r	1.6r	2.8	5.2	0.9	6.5r
	ANNUAL	3.6r	3.6r	0.0	4.6	1.0	0.9r
1986	I	2.0	0.7r	-1.2r	0.7r	-0.8	-1.3
				Percent change from corresponding quarter of previous year			
1985	I	4.2r	6.6r	2.3	4.3	0.7	0.1r
	II	4.4r	4.2r	-0.2	4.5	0.8	0.2r
	III	3.0r	2.0r	-1.0	4.6	1.2	1.5r
	IV	3.0r	2.0r	-1.0	4.9	1.3	1.9r
	ANNUAL	3.6r	3.6r	0.0	4.6	1.0	0.9r
1986	I	2.6r	1.6r	-1.0	3.4	0.3	0.8r

See footnotes following table 6.
r=revised
p=preliminary

May 29, 1986
Source: Bureau of Labor Statistics

Table 5. Nondurable manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted

Year	Quarter	Output per hour of all persons	Output (6)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost
				Indexes 1977=100			
1985	I	117.2r	115.0r	98.2	176.9	101.0	151.0r
	II	119.0r	115.9r	97.4	178.8	101.1	150.3r
	III	119.8r	117.1r	97.7	179.3	100.7	149.6r
	IV	119.5r	117.8r	98.5	179.5	99.8	150.2r
	ANNUAL	118.9r	116.4r	98.0	178.6	100.6	150.3r
1986	I	120.3r	119.2r	99.1	180.4	99.9	150.0r
				Percent change from previous quarter at annual rate(5)			
1985	I	-1.5r	-0.9r	0.6	5.3	2.0	6.9r
	II	6.4r	2.9r	-3.3	4.4	0.3	-1.9r
	III	2.8r	4.3r	1.4	1.2	-1.3	-1.6r
	IV	-1.0r	2.4r	3.4	0.5	-3.6	1.5r
	ANNUAL	1.5r	0.9r	-0.5	4.1	0.5	2.6r
1986	I	2.5r	4.8r	2.2	1.9r	0.4	-0.7r
				Percent change from corresponding quarter of previous year			
1985	I	0.6r	0.2r	-0.4	4.8	1.2	4.2r
	II	1.9r	0.2r	-1.6	4.9	1.2	2.9r
	III	1.8r	1.2r	-0.6	3.9	0.5	2.1r
	IV	1.6r	2.2r	0.5	2.8	-0.7	1.2r
	ANNUAL	1.5r	0.9r	-0.5	4.1	0.5	2.6r
1986	I	2.7r	3.6r	0.9	2.0	-1.1	-0.7r

See footnotes following table 6.
r=revised
p=preliminary

May 29, 1986
Source: Bureau of Labor Statistics

Table 6. Nonfinancial corporations: Productivity, hourly compensation, unit labor cost, unit profits, and prices, seasonally adjusted

Year	and quarter	Output per all-employee hour	Output	Employee hours	Hourly compensation (1)	Real hourly compensation(2)	Unit labor cost	Unit non-labor cost(7)	Total unit cost (8)	Unit profits (9)	Implicit price deflator (4)
					Indexes 1977=100						
1985	I	105.8	123.2	116.4	169.4	96.7	160.0	177.6	164.4	138.3	161.3
	II	105.8	123.7	117.0	170.8	96.6	161.5	178.6	165.8	139.1	162.6
	III	106.5	124.9	117.3	172.0	96.6	161.5	177.2	165.5	150.2	163.6
	IV	105.9	125.2	118.2	173.3	96.3	163.7	177.8	167.2	143.1	164.4
	ANNUAL	105.9	124.3	117.3	171.3	96.5	161.7	177.8	165.7	142.7	163.0
1986	I	105.8p	126.1p	119.2p	173.9p	96.3p	164.3p	179.0p	168.0p	146.1p	165.4p
					Percent change from previous quarter at annual rate(5)						
1985	I	0.1	3.2	3.0	3.4	0.2	3.2	-0.8	2.1	7.2	2.6
	II	-0.2	1.9	2.2	3.5	-0.5	3.8	2.4	3.4	2.2	3.3
	III	2.8	3.8	1.0	2.8	0.2	0.0	-3.2	-0.9	36.0	2.5
	IV	-2.4	0.9	3.3	3.0	-1.2	5.5	1.5	4.4	-17.5	1.8
	ANNUAL	-0.2	2.8	3.0	3.1	-0.4	3.3	1.4	2.8	5.3	3.1
1986	I	-0.2p	3.0p	3.2p	1.3p	-0.2p	1.6p	2.7p	1.9p	8.6p	2.5p
					Percent change from corresponding quarter of previous year						
1985	I	-0.3	3.6	3.9	3.1	-0.4	3.5	3.0	3.3	4.0	3.4
	II	-0.9	2.2	3.1	3.2	-0.5	4.1	2.7	3.7	0.0	3.3
	III	0.4	2.9	2.5	3.1	-0.2	2.7	0.1	2.0	11.8	3.0
	IV	0.1	2.5	2.4	3.2	-0.3	3.1	0.0	2.2	5.3	2.6
	ANNUAL	-0.2	2.8	3.0	3.1	-0.4	3.3	1.4	2.8	5.3	3.1
1986	I	0.0p	2.4p	2.4p	2.7p	-0.4p	2.7p	0.8p	2.2p	5.6p	2.5p

See footnotes following table 6.
r=revised
p=preliminary

May 29, 1986
Source: Bureau of Labor Statistics

SOURCES: Output data from Bureau of Economic Analysis, U.S. Department of Commerce, and the Federal Reserve Board. Compensation and hours data from the Bureau of Labor Statistics, U.S. Department of Labor, and the Bureau of Economic Analysis.

RELIABILITY: Productivity and cost measures are regularly revised as more complete information becomes available. Preliminary results are published 30 days after the close of the reference period; revisions appear 30 days later, and second revisions after an additional 60 days. In the business sector, the probability is 0.95 that the third publication (second revision) of a quarterly index of output per hour of all persons will differ from the preliminary value by between -1.7 and +1.9 index points. This interval is based on the performance of this measure between the first quarter of 1976 and the second quarter of 1985.

Footnotes, Tables 1-6

(1) Wages and salaries of the employees plus employers' contributions for social insurance and private benefit plans. Except for nonfinancial corporations, where there are no self-employed, data also include an estimate of wages, salaries, and supplemental payments for the self-employed.

(2) Compensation per hour adjusted for changes in the Consumer Price Index for All Urban Consumers.

(3) Unit nonlabor payments include profits, capital consumption allowances, interest, rental income of persons, and indirect taxes.

(4) Current dollar gross product divided by constant dollar gross product.

(5) Quarterly changes: percent change compounded at annual rate from the original data rather than index numbers. Annual changes: percent change between annual average levels.

(6) Quarterly manufacturing output measures are based on the index of industrial production prepared monthly by the Board of Governors of the Federal Reserve adjusted by BLS to annual manufacturing output levels (gross product originating) from the National Income and Product Accounts prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce.

(7) Unit nonlabor cost includes capital consumption allowances, interest, rental income of persons, and indirect taxes.

(8) Total unit cost is the sum of labor and nonlabor costs.

(9) Unit profits include corporate profits with inventory valuation and capital consumption adjustments.

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PRODUCTIVITY AND COSTS
Second Quarter 1986

The Bureau of Labor Statistics of the U.S. Department of Labor today reported preliminary productivity data--as measured by output per hour of all persons--for the second quarter of 1986. The seasonally-adjusted annual rates of productivity change in the second quarter were:

1.6 percent in the business sector,
1.7 percent in the nonfarm business sector,
1.9 percent in manufacturing,
0.4 percent in durable goods manufacturing, and
4.5 percent in nondurable goods manufacturing.

Second-quarter measures are summarized in table A and appear in detail in tables 1 through 5.

Business

Productivity increased at an 1.6 percent annual rate during the second quarter of 1986 in the business sector, as output rose 1.3 percent and hours of all persons engaged in the sector declined 0.3 percent (seasonally adjusted annual rates). This was the first decline in hours since the trough of the business cycle (the fourth quarter of 1982), when a 3.4 percent decline was recorded. During the first quarter of 1986, productivity had increased 3.3 percent (table 1).

Hourly compensation increased at a 2.7 percent annual rate during the second quarter of 1986, close to a 2.5 percent gain during the previous quarter. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 1.1 percent annual rate during the second quarter, compared with a 0.7 percent decline during the first quarter.

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), rose at a 4.5 percent annual rate during the second quarter, the largest quarterly gain since the first quarter of 1982 (when a 6.5 percent increase occurred). The large rise in real hourly compensation partly reflected a 1.7 percent decrease in the CPI-U, the largest quarterly drop since 1949.

The implicit price deflator for business output, which reflects changes in unit labor costs and unit nonlabor payments, increased 1.4 percent in the second quarter, the smallest increase in this series since 1970.

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Table A. Productivity and costs: Preliminary second quarter 1986 measures (Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
	Percent change from preceding quarter					
Business	1.6	1.3	-0.3	2.7	4.5	1.1
Nonfarm business	1.7	1.7	0.0	2.2	3.9	0.5
Manufacturing	1.9	-1.5	-3.4	1.9	3.6	0.0
Durable	0.4	-4.2	-4.5	1.5	3.2	1.1
Nondurable	4.5	2.8	-1.6	2.8	4.5	-1.6
	Percent change from same quarter a year ago					
Business	1.2	2.8	1.5	3.3	1.7	2.1
Nonfarm business	1.1	2.9	1.8	3.1	1.4	1.9
Manufacturing	1.9	1.7	-0.1	3.1	1.4	1.2
Durable	1.9	0.9	-1.0	3.7	2.0	1.7
Nondurable	1.8	3.1	1.3	2.3	0.6	0.4

Nonfarm business

Productivity increased 1.7 percent in the nonfarm business sector during the second quarter of 1986, as output rose 1.7 percent and hours of all persons --employees, proprietors, and unpaid family workers-- were unchanged. This was the first quarter in which hours failed to increase since the expansion phase of the current business cycle began in the first quarter of 1983. During the first quarter of 1986, productivity had increased 4.3 percent in this sector (table 2).

Hourly compensation increased 2.2 percent in the second quarter, but rose 3.9 percent when the decline in the CPI-U was taken into account. Unit labor costs increased 0.5 percent, compared with a 1.2 percent drop during the first quarter of 1986.

The implicit price deflator for nonfarm business output rose 1.1 percent in the second quarter, compared with a 2.3 percent increase one quarter earlier. This was the smallest increase recorded in this series since 1967.

Manufacturing

Productivity increased at a 1.9 percent seasonally adjusted annual rate in manufacturing in the second quarter of 1986, as output declined 1.5 percent and hours of all persons dropped 3.4 percent. This was the first quarterly decline in manufacturing output since the fourth quarter of 1982 (when the decline was at a 7.1 percent annual rate). Hours last declined in this sector in the third quarter of 1985 (by 0.1 percent) and, in the second quarter of that year, declined at a 4.2 percent annual rate. Although output and hours both declined in the second quarter of 1986, productivity grew more rapidly than during the first quarter (table 3).

Hourly compensation of manufacturing workers increased 1.9 percent during the second quarter, but increased 3.6 percent when the decline in consumer prices was taken into account. Unit labor costs were unchanged in the second quarter, compared with a 0.6 percent increase during the first quarter of 1986.

Both durable and nondurable goods industries experienced productivity increases in the second quarter, but growth was much greater among nondurable goods producers (tables 4 and 5). Hours of all persons declined in both subsectors.

Revised measures

The productivity and cost measures contained in this news release are based on the latest measures of hours and output available. Revised output and compensation measures prepared by the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce are reflected in the productivity and cost measures in this release. These revisions were published on July 22 by BEA as part of the regular revision cycle of the national income and product accounts and cover the last 3 years. See appendix tables 1-6.

In addition, recent information on employment and average weekly hours of all persons engaged in these sectors is also incorporated in productivity and cost measures at this time. Historical tables are available on request from the Bureau of Labor Statistics, Office of Productivity and Technology, Washington, D.C. 20212, (202) 523-9261.

Productivity and cost measures on diskettes formatted for use on IBM-compatible microcomputers using LOTUS 1-2-3 are also available. For ordering information, contact BLS Data Diskettes, Room 2127, 441 G Street NW, Washington, D.C. 20212, (202) 523-1090.

Next release date

The next release of productivity and cost measures is scheduled for 10:00 AM EDT, Wednesday, August 27, 1986. Released at that time will be preliminary second-quarter measures for nonfinancial corporations.

TECHNICAL NOTES

Business sector output is equal to gross national product in constant 1982 dollars, less the rest-of-the-world sector, general government, output of nonprofit institutions, output of paid employees of private households, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurables goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metals; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes these 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemical and chemical products, petroleum products, rubber and plastic products, food, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product in constant 1982 dollars, less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwelling, the output of corporations engaged in baking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this news release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contribution of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; mangerial skill; and the characteristics and effort of the work force.

Table 1. Business sector: Productivity, hourly compensation, unit labor cost, and prices, seasonally adjusted

Year	quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost	Unit non-labor payments(3)	Implicit price deflator(4)
				Indexes 1977=100					
1985	I	105.7r	121.3r	114.8r	172.3r	98.4r	163.1r	158.3r	161.4r
	II	106.4r	122.3r	115.0r	174.5r	98.7r	164.0r	160.0r	162.6r
	III	107.3r	123.5r	115.2r	176.4r	99.1r	164.4r	161.4r	163.4r
	IV	106.4r	123.8r	116.4r	178.0r	99.0r	167.3r	159.6r	164.6
	ANNUAL	106.4r	122.7r	115.3r	175.3r	98.8r	164.8r	159.7r	163.0r
1986	I	107.3r	125.3r	116.8r	179.1r	99.2r	167.0r	162.2r	165.3r
	II	107.7p	125.7p	116.7p	180.3p	100.3p	167.4p	163.0p	165.9p
				Percent change from previous quarter at annual rate(5)					
1985	I	0.9r	3.6	2.6r	4.2r	1.0r	3.3r	1.6r	2.7r
	II	2.7r	3.3r	0.6r	5.1r	1.0r	2.4r	4.2r	3.0r
	III	3.4r	4.1r	0.7r	4.4r	1.8r	1.0r	3.7r	1.9r
	IV	-3.2r	1.0r	4.3r	3.8r	-0.5r	7.2r	-4.3r	3.0r
	ANNUAL	1.0r	3.3r	2.2r	4.3r	0.7r	3.2r	2.2r	2.9r
1986	I	3.3r	4.7r	1.4r	2.5r	1.0r	-0.7r	6.6r	1.8r
	II	1.6p	1.3p	-0.3p	2.7p	4.5p	1.1p	2.1p	1.4p
				Percent change from corresponding quarter of previous year					
1985	I	0.8r	3.8r	3.0r	3.9r	0.3r	3.1r	2.7	3.0r
	II	0.8r	2.8r	2.0r	4.5r	0.7r	3.6r	2.0r	3.1r
	III	1.7r	3.4r	1.7r	4.4r	1.0r	2.6r	2.8r	2.7r
	IV	0.9r	3.0r	2.1r	4.4r	0.8r	3.4r	1.2r	2.7r
	ANNUAL	1.0r	3.3r	2.2r	4.3r	0.7r	3.2r	2.2r	2.9r
1986	I	1.5r	3.3r	1.8r	3.9r	0.8r	2.4r	2.5r	2.4
	II	1.2p	2.8p	1.5p	3.3p	1.7p	2.1p	1.9p	2.0p

See footnotes following table 6.
r=revised
p=preliminary

July 30, 1986
Source: Bureau of Labor Statistics

Table 2. Nonfarm business sector: Productivity, hourly compensation, unit labor cost, and prices, seasonally adjusted

Year	Quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost	Unit nonlabor payments(3)	Implicit price deflator(4)
				Indexes 1977=100					
1985	I	104.4r	121.1	116.0r	172.1	98.2r	164.8r	158.9r	162.7r
	II	104.9r	122.1r	116.4r	174.0r	98.4r	165.9r	160.8r	164.1r
	III	105.4r	123.3r	116.9r	175.4r	98.5r	166.3r	163.0r	165.2r
	IV	104.5r	123.6r	118.2r	177.0r	98.4r	169.3r	160.3r	166.2r
	ANNUAL	104.8r	122.5r	116.9r	174.6r	98.4r	166.7r	160.6r	164.6r
1986	I	105.6r	125.1r	118.5r	178.3r	98.8r	168.8r	163.9r	167.1r
	II	106.1p	125.6p	118.4p	179.3p	99.7p	169.1p	164.8p	167.6p
				Percent change from previous quarter at annual rate(5)					
1985	I	0.3r	3.2r	2.9r	3.9r	0.7r	3.6	2.5r	3.2r
	II	1.8r	3.0r	1.2r	4.6r	0.5r	2.7r	4.7r	3.4r
	III	2.2r	4.0r	1.8r	3.2r	0.7r	1.0r	5.7r	2.6
	IV	-3.5r	1.0r	4.6r	3.7r	-0.6r	7.4r	-6.6r	2.4r
	ANNUAL	0.5r	3.0r	2.6r	4.0r	0.4r	3.5r	2.9r	3.3
1986	I	4.3r	5.1r	0.8r	3.1r	1.6r	-1.2r	9.3r	2.3r
	II	1.7p	1.7p	0.0p	2.2p	3.9p	0.5p	2.3p	1.1p
				Percent change from corresponding quarter of previous year					
1985	I	0.5r	3.6r	3.1r	3.9r	0.3r	3.4r	3.7r	3.5r
	II	0.2r	2.5r	2.3r	4.2r	0.5r	4.0r	2.8r	3.6
	III	1.0r	3.1r	2.1r	4.0r	0.6r	3.0r	3.7r	3.2
	IV	0.2r	2.8r	2.6r	3.9r	0.3r	3.7r	1.5r	2.9r
	ANNUAL	0.5r	3.0r	2.6r	4.0r	0.4r	3.5r	2.9r	3.3
1986	I	1.2r	3.3r	2.1r	3.6r	0.5r	2.5r	3.1r	2.7
	II	1.1p	2.9p	1.8p	3.1p	1.4p	1.9p	2.5p	2.1p

See footnotes following table 6.
r=revised
p=preliminary

July 30, 1986
Source: Bureau of Labor Statistics

Table 3. Manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted

Year and quarter		Output per hour of all persons	Output (6)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost
				Indexes 1977=100			
1985	I	119.3r	118.8r	99.6r	173.8r	99.2r	145.7r
	II	121.7r	119.9r	98.5r	175.6r	99.3r	144.3r
	III	123.0r	121.2r	98.5r	178.1r	100.0r	144.8r
	IV	122.9r	121.9r	99.1r	179.3r	99.7r	145.8r
	ANNUAL	121.7r	120.4r	98.9r	176.7r	99.5	145.1r
1986	I	123.4r	122.4r	99.3r	180.2r	99.8r	146.1r
	II	124.0p	122.0p	98.4p	181.1p	100.7p	146.1p
				Percent change from previous quarter at annual rate(5)			
1985	I	3.9r	3.2r	-0.6r	5.5r	2.2r	1.5r
	II	8.2r	3.7r	-4.2r	4.3r	0.3r	-3.6r
	III	4.4r	4.3r	-0.1	5.6r	3.0r	1.2r
	IV	-0.3r	2.4r	2.7r	2.8r	-1.4r	3.0r
	ANNUAL	4.4r	3.8r	-0.5r	5.0r	1.4r	0.6r
1986	I	1.4r	1.9r	0.4r	2.1r	0.6r	0.6r
	II	1.9p	-1.5p	-3.4p	1.9p	3.6p	0.0p
				Percent change from corresponding quarter of previous year			
1985	I	4.0r	4.8r	0.8r	5.1r	1.4r	1.1r
	II	5.2r	4.0r	-1.2r	5.3r	1.6r	0.1r
	III	4.4r	3.2r	-1.2r	5.3r	1.9r	0.9r
	IV	4.0r	3.4r	-0.6r	4.5r	1.0r	0.5r
	ANNUAL	4.4r	3.8r	-0.5r	5.0r	1.4r	0.6r
1986	I	3.4r	3.1r	-0.3r	3.7r	0.6r	0.3r
	II	1.9p	1.7p	-0.1p	3.1p	1.4p	1.2p

See footnotes following table 6.
r=revised
p=preliminary

July 30, 1986
Source: Bureau of Labor Statistics

Table 4. Durable manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted

Year	and quarter	Output per hour of all persons	Output (6)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost
				Indexes 1977=100			
1985	I	121.4r	122.6r	100.9r	172.0r	98.2r	141.6r
	II	124.4r	124.1r	99.8r	173.2r	97.9r	139.2r
	III	126.3r	125.6r	99.5r	176.5r	99.2r	139.8r
	IV	126.4r	126.4r	100.0r	178.0r	98.9r	140.8r
	ANNUAL	124.6r	124.7r	100.1r	174.9r	98.5r	140.3r
1986	I	126.7r	126.5r	99.9r	178.9r	99.1r	141.2r
	II	126.8p	125.2p	98.7p	179.6p	99.9p	141.6p
				Percent change from previous quarter at annual rate(5)			
1985	I	8.2r	7.2r	-0.9r	6.1r	2.8r	-1.9r
	II	10.2r	5.1r	-4.6r	3.0r	-1.0r	-6.5r
	III	6.1r	4.9r	-1.1	7.8r	5.1r	1.6r
	IV	0.5r	2.7r	2.2r	3.3r	-0.9r	2.9r
	ANNUAL	6.8r	6.6r	-0.2r	5.0r	1.4r	-1.7r
1986	I	0.9r	0.3r	-0.6r	2.2r	0.7r	1.2r
	II	0.4p	-4.2p	-4.5p	1.5p	3.2p	1.1p
				Percent change from corresponding quarter of previous year			
1985	I	6.5r	8.7r	2.0r	4.8r	1.1r	-1.6r
	II	7.8r	7.4r	-0.4r	4.8r	1.1r	-2.8r
	III	6.7r	5.4r	-1.2r	5.6r	2.1r	-1.1r
	IV	6.2r	5.0r	-1.1r	5.0r	1.5r	-1.1r
	ANNUAL	6.8r	6.6r	-0.2r	5.0r	1.4r	-1.7r
1986	I	4.3r	3.2r	-1.1r	4.1r	0.9r	-0.3r
	II	1.9p	0.9p	-1.0p	3.7p	2.0p	1.7p

See footnotes following table 6.
r=revised
p=preliminary

July 30, 1986
Source: Bureau of Labor Statistics

Table 5. Nondurable manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted

Year and quarter		Output per hour of all persons	Output (6)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost
				Indexes 1977=100			
1985	I	116.0r	113.2r	97.6r	176.5r	100.8r	152.1r
	II	117.5r	113.6r	96.7r	179.4r	101.5r	152.7r
	III	118.0r	114.5r	97.0r	180.4r	101.3r	152.8r
	IV	117.6r	115.1r	97.9r	181.3r	100.8r	154.1r
	ANNUAL	117.3r	114.1r	97.3r	179.4r	101.0r	152.9r
1986	I	118.3r	116.4r	98.3r	182.2r	100.9r	154.0r
	II	119.6p	117.2p	98.0p	183.5p	102.1p	153.4p
				Percent change from previous quarter at annual rate(5)			
1985	I	-2.6r	-2.8r	-0.2r	4.4r	1.2r	7.2r
	II	5.2r	1.5r	-3.5r	6.9r	2.8r	1.7r
	III	1.8r	3.3r	1.5r	2.1r	-0.4r	0.3r
	IV	-1.4r	1.9r	3.4	1.9r	-2.3r	3.4r
	ANNUAL	0.7r	-0.3r	-1.0r	5.0r	1.4r	4.3r
1986	I	2.4r	4.5r	2.0r	2.2r	0.7r	-0.2r
	II	4.5p	2.8p	-1.6p	2.8p	4.5p	-1.6p
				Percent change from corresponding quarter of previous year			
1985	I	0.1r	-0.9r	-1.0r	5.3r	1.7r	5.2r
	II	1.2r	-1.1r	-2.3r	6.1r	2.3r	4.8r
	III	0.9r	-0.3r	-1.1r	4.9r	1.5r	4.0r
	IV	0.7r	1.0r	0.3r	3.8r	0.3r	3.1r
	ANNUAL	0.7r	-0.3r	-1.0r	5.0r	1.4r	4.3r
1986	I	2.0r	2.8r	0.8r	3.3r	0.2r	1.3r
	II	1.8p	3.1p	1.3p	2.3p	0.6p	0.4p

See footnotes following table 6.
r=revised
p=preliminary

July 30, 1986
Source: Bureau of Labor Statistics

Table 6. Nonfinancial corporations: Productivity, hourly compensation, unit labor cost, unit profits, and prices, seasonally adjusted

Year	and quarter	Output per all-employee hour	Output	Employee hours	Hourly compensation (1)	Real hourly compensation(2)	Unit labor cost	Unit non-labor cost(7)	Total unit cost (8)	Unit profits (9)	Implicit price deflator (4)
					Indexes 1977=100						
1985	I	106.0r	123.1r	116.1r	169.9r	97.0r	160.3r	178.5r	164.9r	129.3r	160.6r
	II	106.5r	124.2r	116.6r	171.6r	97.0r	161.1r	179.8r	165.8	130.2r	161.6r
	III	107.8r	126.0r	116.8r	173.1r	97.2r	160.5r	178.3r	165.0r	141.7r	162.2r
	IV	107.0r	126.1r	117.8r	174.5r	97.0r	163.0r	179.8r	167.2	131.2r	162.9r
	ANNUAL	106.8r	124.8r	116.9r	172.3r	97.0r	161.2r	179.1r	165.8r	133.1r	161.8r
1986	I	106.9r	126.9r	118.7r	175.4r	97.1r	164.0r	181.1r	168.3r	131.7r	164.0r
					Percent change from previous quarter at annual rate(5)						
1985	I	0.8r	3.2	2.4r	3.8r	0.6r	3.0r	2.2r	2.8r	-3.6r	2.2r
	II	2.2r	3.7r	1.4r	4.2r	0.2r	2.0r	3.0r	2.3r	3.0r	2.3r
	III	4.9r	5.9r	1.0	3.4r	0.9r	-1.4r	-3.3r	-1.9r	40.1r	1.7r
	IV	-2.8r	0.5r	3.4r	3.3r	-0.9r	6.3r	3.3r	5.5r	-26.4r	1.7r
	ANNUAL	1.2r	3.7r	2.5r	3.9r	0.3r	2.7r	2.6r	2.7r	-0.2r	2.4r
1986	I	-0.5r	2.6r	3.1r	2.0r	0.5r	2.5r	3.1r	2.7r	1.3r	2.5
					Percent change from corresponding quarter of previous year						
1985	I	0.6r	4.1r	3.5r	3.8r	0.2r	3.2r	4.3r	3.5r	-3.8r	2.7r
	II	0.6r	3.1r	2.5r	4.1r	0.4r	3.5r	3.9r	3.6r	-5.9r	2.6r
	III	2.2r	4.2r	2.0r	3.9r	0.5r	1.6r	1.1r	1.5r	8.7r	2.2r
	IV	1.2r	3.3r	2.1r	3.7r	0.2r	2.4r	1.3r	2.1r	0.6r	2.0r
	ANNUAL	1.2r	3.7r	2.5r	3.9r	0.3r	2.7r	2.6r	2.7r	-0.2r	2.4r
1986	I	0.9r	3.2r	2.2r	3.2r	0.2r	2.3r	1.5r	2.1r	1.8r	2.1r

See footnotes following table 6.
r=revised
p=preliminary

July 30, 1986
Source: Bureau of Labor Statistics

Appendix Table 1. Business sector: Productivity, hourly compensation, unit labor cost, and prices, seasonally adjusted

	Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost	Unit non-labor payments(3)	Implicit price deflator(4)
					Indexes 1977=100				
1983	I	101.9r	106.2r	104.2r	159.9r	98.8r	156.8r	141.0r	151.2r
	II	103.5r	109.2r	105.5r	160.9r	98.4r	155.5r	146.6r	152.3r
	III	103.0r	110.8r	107.5r	161.5r	97.7r	156.8r	147.3r	153.4r
	IV	103.8r	113.6r	109.4r	163.6r	98.0r	157.7r	150.6r	155.2r
	ANNUAL	103.0r	109.9r	106.7r	161.5r	98.2r	156.8r	146.3r	153.0r
1984	I	104.9r	116.9r	111.4r	165.9r	98.1r	158.2r	154.1r	156.7r
	II	105.6r	119.0r	112.7r	167.1r	97.9r	158.3r	156.7r	157.7r
	III	105.5r	119.5r	113.3r	169.0r	98.1r	160.2r	157.0r	159.0r
	IV	105.5r	120.2r	114.0r	170.6r	98.2r	161.7r	157.7r	160.3r
	ANNUAL	105.3r	118.8r	112.8r	168.1r	98.1r	159.7r	156.3r	158.5r
					Percent change from previous quarter at annual rate(5)				
1983	I	3.9r	4.9r	1.0r	3.9r	3.7r	0.1r	7.8r	2.5r
	II	6.1r	11.7r	5.3r	2.6r	-1.6r	-3.3r	16.9r	3.1r
	III	-1.6r	5.9r	7.7r	1.6r	-2.6r	3.3r	1.9r	2.8r
	IV	2.8r	10.4r	7.3r	5.3r	1.1r	2.4r	9.4r	4.8r
	ANNUAL	2.7r	4.2r	1.5r	4.2r	1.0r	1.5r	7.1r	3.3r
1984	I	4.4r	12.2r	7.4r	5.7r	0.5r	1.2r	9.6r	4.0r
	II	2.6r	7.5r	4.8r	2.8r	-0.8r	0.2r	7.1r	2.6r
	III	-0.3r	1.7r	2.1r	4.6r	0.8r	5.0r	0.6r	3.4r
	IV	-0.1r	2.5r	2.6r	3.8r	0.1r	3.9r	1.7r	3.2r
	ANNUAL	2.3r	8.1r	5.7r	4.1r	-0.1r	1.8r	6.8r	3.5r
					Percent change from corresponding quarter of previous year				
1983	I	2.1r	0.2r	-1.9r	5.7r	2.0r	3.5r	4.4r	3.8r
	II	3.3r	3.1r	-0.2r	4.6r	1.2r	1.3r	7.6r	3.4r
	III	2.8r	5.4r	2.6r	3.2r	0.6r	0.4r	7.6r	2.7r
	IV	2.7r	8.2r	5.3r	3.4r	0.1r	0.6r	8.9r	3.3r
	ANNUAL	2.7r	4.2r	1.5r	4.2r	1.0r	1.5r	7.1r	3.3r
1984	I	2.9r	10.0r	6.9r	3.8r	-0.7r	0.9r	9.3r	3.7r
	II	2.0r	9.0r	6.8r	3.8r	-0.4r	1.8r	6.9r	3.5r
	III	2.4r	7.9r	5.4r	4.6r	0.4r	2.2r	6.6r	3.7r
	IV	1.6r	5.9r	4.2r	4.2r	0.2r	2.6r	4.7r	3.3r
	ANNUAL	2.3r	8.1r	5.7r	4.1r	-0.1r	1.8r	6.8r	3.5r

See footnotes following table 6.
r=revised

July 30, 1986
Source: Bureau of Labor Statistics

Appendix Table 2. Nonfarm business sector: Productivity, hourly compensation, unit labor cost, and prices, seasonally adjusted

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost	Unit non-labor payments(3)	Implicit price deflator(4)
				Indexes 1977=100				
1983 I	100.9r	105.8r	104.8r	159.9r	98.8r	158.5r	141.4r	152.5r
II	102.7r	109.2r	106.3r	160.9r	98.4r	156.6r	148.0r	153.6r
III	102.9r	111.4r	108.3r	161.7r	97.8r	157.1r	151.1r	155.0r
IV	103.3r	114.1r	110.5r	163.4r	97.9r	158.2r	152.3r	156.2r
ANNUAL	102.4r	110.1r	107.5r	161.5r	98.2r	157.7r	148.1r	154.3r
1984 I	103.9r	116.9r	112.5r	165.6r	97.9r	159.4r	153.2r	157.2r
II	104.6r	119.1r	113.8r	166.9r	97.8r	159.5r	156.4r	158.4r
III	104.4r	119.5r	114.5r	168.7r	98.0r	161.5r	157.2r	160.0r
IV	104.3r	120.2r	115.2r	170.4r	98.1r	163.3r	157.9r	161.4r
ANNUAL	104.3r	118.8r	114.0r	167.9r	98.0r	161.0r	156.1r	159.3r
				Percent change from previous quarter at annual rate(5)				
1983 I	5.0r	6.3r	1.2r	4.4r	4.1r	-0.6r	10.5r	2.9r
II	7.3r	13.4r	5.7r	2.3r	-1.9r	-4.7r	19.8r	2.8r
III	0.8r	8.5r	7.6r	2.0r	-2.2r	1.2r	8.7r	3.7r
IV	1.3r	9.8r	8.4r	4.4r	0.1r	3.0r	3.4r	3.1r
ANNUAL	3.3r	4.9r	1.6r	4.3r	1.1r	1.1r	8.6r	3.5r
1984 I	2.4r	10.2r	7.6r	5.4r	0.3r	3.0r	2.3r	2.7r
II	2.9r	7.7r	4.7r	3.2r	-0.4r	0.3r	8.6r	3.1r
III	-0.7r	1.6r	2.3r	4.3r	0.4r	5.1r	2.1r	4.0r
IV	-0.4r	2.2r	2.6r	4.2r	0.5r	4.6r	1.9r	3.7r
ANNUAL	1.8r	8.0r	6.0r	4.0r	-0.3r	2.1r	5.4r	3.2r
				Percent change from corresponding quarter of previous year				
1983 I	2.2r	0.4r	-1.7r	5.8r	2.1r	3.5r	4.7r	3.9r
II	3.6r	3.6r	-0.1r	4.8r	1.4r	1.2r	8.7r	3.6
III	3.8r	6.6r	2.7r	3.4r	0.8r	-0.4r	10.5r	3.1r
IV	3.6r	9.5r	5.7r	3.3r	0.0r	-0.3r	10.4r	3.1r
ANNUAL	3.3r	4.9r	1.6r	4.3r	1.1r	1.1r	8.6r	3.5r
1984 I	2.9r	10.5r	7.3r	3.5r	-0.9r	0.6r	8.3r	3.1r
II	1.8r	9.0r	7.1r	3.8r	-0.5r	1.9r	5.7r	3.2r
III	1.5r	7.3r	5.7r	4.3r	0.1r	2.8r	4.1r	3.3r
IV	1.0r	5.4r	4.3r	4.3r	0.2r	3.2r	3.7r	3.4r
ANNUAL	1.8r	8.0r	6.0r	4.0r	-0.3r	2.1r	5.4r	3.2r

See footnotes following table 6.
r=revised

July 30, 1986
Source: Bureau of Labor Statistics

Appendix Table 3. Manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted

Year and quarter		Output per hour of all persons	Output (6)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost
				Indexes 1977=100			
1983	I	110.0r	99.2r	90.3r	161.9r	100.1r	147.3r
	II	111.2r	102.7r	92.4r	161.8r	99.0r	145.6r
	III	113.5r	107.3r	94.6r	162.4r	98.2r	143.1r
	IV	113.3r	109.6r	96.8r	163.6r	97.9r	144.3r
	ANNUAL	112.0r	104.7r	93.5r	162.4r	98.8r	145.0
1984	I	114.7r	113.3r	98.8r	165.4r	97.8r	144.1r
	II	115.7r	115.3r	99.7r	166.8r	97.8r	144.2r
	III	117.8r	117.4r	99.7r	169.1r	98.2r	143.5r
	IV	118.2r	117.9r	99.7r	171.5r	98.7r	145.1r
	ANNUAL	116.6r	116.0r	99.5r	168.2r	98.1r	144.2r
				Percent change from previous quarter at annual rate(5)			
1983	I	9.8r	12.2r	2.3r	3.2r	3.0r	-5.9r
	II	4.5r	14.7r	9.7r	-0.2r	-4.3r	-4.5r
	III	8.5r	19.1r	9.8r	1.3r	-2.9r	-6.6r
	IV	-0.5r	9.1r	9.6r	3.0r	-1.2r	3.5r
	ANNUAL	5.8r	6.4r	0.6r	3.1r	-0.1r	-2.5r
1984	I	5.2r	14.3r	8.6r	4.6r	-0.5	-0.6r
	II	3.3r	7.1r	3.8r	3.4r	-0.2r	0.2r
	III	7.5r	7.4r	-0.1r	5.6r	1.6r	-1.8r
	IV	1.3r	1.6r	0.2r	5.9r	2.1r	4.5r
	ANNUAL	4.1r	10.8r	6.4r	3.6r	-0.7r	-0.5r
				Percent change from corresponding quarter of previous year			
1983	I	5.6r	-0.8r	-6.1r	5.3r	1.6r	-0.3r
	II	5.8r	3.9r	-1.8r	3.3r	0.0r	-2.3r
	III	5.9r	9.2r	3.1r	2.0r	-0.6r	-3.7r
	IV	5.5r	13.7r	7.8r	1.8r	-1.4r	-3.5r
	ANNUAL	5.8r	6.4r	0.6r	3.1r	-0.1r	-2.5r
1984	I	4.4r	14.2r	9.4r	2.1r	-2.2r	-2.1r
	II	4.0r	12.3r	7.9r	3.1r	-1.2r	-0.9r
	III	3.8r	9.4r	5.4r	4.1r	-0.1r	0.3r
	IV	4.3r	7.5r	3.1r	4.9r	0.8r	0.5r
	ANNUAL	4.1r	10.8r	6.4r	3.6r	-0.7r	-0.5r

See footnotes following table 6.
r=revised

July 30, 1986
Source: Bureau of Labor Statistics

Appendix Table 4. Durable manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted

Year	Quarter	Output per hour of all persons	Output (6)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost
				Indexes 1977=100			
1983	I	106.8r	94.2r	88.2r	161.3r	99.7r	151.1r
	II	108.7r	98.3r	90.5r	160.9r	98.4r	148.1r
	III	111.6r	104.0r	93.2r	161.3r	97.6r	144.5r
	IV	111.9r	107.8r	96.3r	162.3r	97.2r	145.0r
	ANNUAL	109.8r	101.1r	92.0r	161.5r	98.2r	147.0r
1984	I	114.0r	112.8r	98.9r	164.1r	97.1r	144.0r
	II	115.4r	115.6r	100.2r	165.3r	96.9r	143.3r
	III	118.3r	119.1r	100.7r	167.2r	97.1r	141.4r
	IV	119.1r	120.5r	101.2r	169.4r	97.5r	142.3r
	ANNUAL	116.7r	117.0r	100.2r	166.6r	97.2r	142.7r
				Percent change from previous quarter at annual rate(5)			
1983	I	13.2r	17.1r	3.4r	3.0r	2.7r	-9.1r
	II	7.4r	18.8r	10.6r	-0.8r	-5.0r	-7.6r
	III	11.3r	25.2r	12.5r	1.0r	-3.2r	-9.3r
	IV	1.0r	15.2r	14.0r	2.4r	-1.8r	1.3r
	ANNUAL	7.7r	7.7r	0.0	2.8r	-0.4r	-4.5r
1984	I	7.6r	19.8r	11.4r	4.7r	-0.4r	-2.7r
	II	4.9r	10.4r	5.3r	2.9r	-0.7r	-1.9r
	III	10.5r	12.8r	2.1r	4.7r	0.8r	-5.3r
	IV	2.7r	4.5r	1.8r	5.4r	1.7r	2.7r
	ANNUAL	6.3r	15.7r	8.9r	3.2r	-1.1r	-2.9r
				Percent change from corresponding quarter of previous year			
1983	I	6.6r	-2.6r	-8.7r	5.3r	1.6r	-1.2r
	II	7.5r	3.6r	-3.6r	3.1r	-0.2r	-4.0r
	III	8.3r	11.5r	2.9r	1.5r	-1.0r	-6.3r
	IV	8.1r	19.0r	10.1r	1.3r	-1.9r	-6.3r
	ANNUAL	7.7r	7.7r	0.0	2.8r	-0.4r	-4.5r
1984	I	6.8r	19.7r	12.1r	1.8r	-2.6r	-4.7r
	II	6.1r	17.5r	10.7r	2.7r	-1.5r	-3.2r
	III	5.9r	14.5r	8.1r	3.6r	-0.5r	-2.2r
	IV	6.4r	11.8r	5.1r	4.4r	0.3r	-1.8r
	ANNUAL	6.3r	15.7r	8.9r	3.2r	-1.1r	-2.9r

See footnotes following table 6.
r=revised

July 30, 1986
Source: Bureau of Labor Statistics

Appendix Table 5. Nondurable manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted

Year	Quarter	Output per hour of all persons	Output (6)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost
				Indexes 1977=100			
1983	I	114.4r	106.8r	93.3r	163.9r	101.3r	143.3r
	II	114.7r	109.2r	95.2r	164.2r	100.4r	143.2r
	III	116.1r	112.1r	96.6r	164.7r	99.7r	141.9r
	IV	115.3r	112.4r	97.5r	166.0r	99.4r	143.9r
	ANNUAL	115.2r	110.1r	95.6r	164.7r	100.2r	143.1r
1984	I	115.9r	114.2r	98.6r	167.5r	99.1r	144.6r
	II	116.1r	114.9r	99.0r	169.2r	99.2r	145.7r
	III	117.0r	114.8r	98.1r	171.9r	99.8r	146.9r
	IV	116.8r	114.0r	97.6r	174.6r	100.5r	149.4r
	ANNUAL	116.5r	114.5r	98.3r	170.8r	99.7r	146.6r
				Percent change from previous quarter at annual rate(5)			
1983	I	5.5r	6.2r	0.6	3.4r	3.1r	-2.0r
	II	0.9r	9.5r	8.5r	0.6r	-3.5r	-0.3r
	III	4.8r	11.2r	6.1r	1.3r	-2.9r	-3.4r
	IV	-2.5r	1.0r	3.6r	3.1r	-1.1r	5.8r
	ANNUAL	3.1r	4.8r	1.6r	3.7r	0.5	0.6r
1984	I	1.9r	6.7r	4.7r	3.8r	-1.2r	1.8r
	II	0.9r	2.4r	1.5r	4.0r	0.4r	3.1r
	III	3.1r	-0.3r	-3.3r	6.5r	2.6r	3.3r
	IV	-0.8r	-2.9r	-2.2r	6.3r	2.6r	7.2r
	ANNUAL	1.2r	4.0r	2.8r	3.7r	-0.6r	2.5r
				Percent change from corresponding quarter of previous year			
1983	I	4.0r	1.6r	-2.3r	6.0r	2.3r	2.0r
	II	3.3r	4.2r	0.9r	4.0r	0.6r	0.6r
	III	2.8r	6.2r	3.4r	2.7r	0.1r	-0.1r
	IV	2.1r	6.9r	4.6r	2.1r	-1.1r	0.0r
	ANNUAL	3.1r	4.8r	1.6r	3.7r	0.5	0.6r
1984	I	1.3r	7.0r	5.7r	2.2r	-2.2r	0.9r
	II	1.3r	5.3r	4.0r	3.0r	-1.2r	1.8r
	III	0.8r	2.4r	1.6r	4.4r	0.1r	3.5r
	IV	1.3r	1.4r	0.1r	5.2r	1.1r	3.8r
	ANNUAL	1.2r	4.0r	2.8r	3.7r	-0.6r	2.5r

See footnotes following table 6.
r=revised

July 30, 1986
Source: Bureau of Labor Statistics

Appendix Table 6. Nonfinancial corporations: Productivity, hourly compensation, unit labor cost, unit profits, and prices, seasonally adjusted

Year	and quarter	Output per all-employee hour	Output	Employee hours	Hourly compensation (1)	Real hourly compensation(2)	Unit labor cost	Unit non-labor cost(7)	Total unit cost (8)	Unit profits (9)	Implicit price deflator (4)
					Indexes 1977=100						
1983	I	102.2r	106.2r	103.9r	158.7r	98.1r	155.3r	177.0r	160.8r	86.7r	151.9r
	II	103.5r	109.4r	105.7r	159.2r	97.4r	153.8r	174.8r	159.1r	107.6r	153.0r
	III	103.9r	111.9r	107.7r	159.9r	96.8r	153.9r	174.4r	159.1r	119.1r	154.3r
	IV	104.5r	115.1r	110.1r	161.7r	96.8r	154.8r	171.4r	159.0r	128.6r	155.3r
	ANNUAL	103.5r	110.6r	106.9r	159.9r	97.3r	154.5r	174.3r	159.5r	110.9r	153.7r
1984	I	105.3r	118.2r	112.3r	163.6r	96.8r	155.4r	171.1r	159.4r	134.4r	156.4r
	II	105.9r	120.5r	113.7r	164.8r	96.6r	155.7r	173.1r	160.1r	138.5r	157.5r
	III	105.5r	120.9r	114.6r	166.6r	96.7r	157.9r	176.4r	162.6r	11986	
	IV	105.8r	122.1r	115.5r	168.3r	96.8r	159.1r	177.5r	163.8r	11986	
	ANNUAL	105.6r	120.4r	114.0r	165.9r	96.8r	157.0r	174.6r	161.5r	133.4r	158.1r
					Percent change from previous quarter at annual rate(5)						
1983	I	5.9r	7.1r	1.1r	4.0r	3.7r	-1.8r	-8.8r	-3.8r	121.2r	1.3r
	II	5.3r	12.6r	6.9r	1.4r	-2.8r	-3.7r	-4.8r	-4.0r	137.5r	2.8r
	III	1.6r	9.7r	8.0r	1.8r	-2.4r	0.2r	-1.0r	-0.2r	49.7r	3.5r
	IV	2.1r	11.6r	9.4r	4.5r	0.2r	2.4r	-6.7r	-0.2r	35.9r	2.8r
	ANNUAL	3.2r	4.7r	1.5r	3.6r	0.4r	0.4r	-1.2r	0.0r	41.4r	2.6r
1984	I	3.3r	11.5r	7.9r	4.9r	-0.2	1.6	-0.5r	1.0r	19.4r	2.7r
	II	2.3r	7.8r	5.4r	3.0r	-0.6r	0.7r	4.6r	1.7r	12.7r	2.8r
	III	-1.6r	1.3r	3.0r	4.3r	0.4r	6.0r	7.9r	6.5r	-21.5r	3.3r
	IV	1.1r	4.2r	3.1r	4.1r	0.4r	3.0r	2.5r	2.9r	0.4r	2.6r
	ANNUAL	2.0r	8.8r	6.7r	3.7r	-0.5r	1.7r	0.1r	1.3r	20.2r	2.9r
					Percent change from corresponding quarter of previous year						
1983	I	2.4r	-0.5r	-2.8r	5.0r	1.3r	2.5r	2.5r	2.5r	5.2r	2.7r
	II	3.2r	3.0r	-0.2r	3.9r	0.5r	0.6r	-0.4r	0.4r	35.8r	2.6r
	III	3.2r	6.2r	2.9r	2.7r	0.1r	-0.5r	-1.3r	-0.7r	47.0r	2.4r
	IV	3.7r	10.2r	6.3r	2.9r	-0.4r	-0.8r	-5.4r	-2.1r	80.8r	2.6
	ANNUAL	3.2r	4.7r	1.5r	3.6r	0.4r	0.4r	-1.2r	0.0r	41.4r	2.6r
1984	I	3.1r	11.3r	8.0r	3.1r	-1.3r	0.1r	-3.3r	-0.9r	55.0r	3.0r
	II	2.3r	10.1r	7.7r	3.5r	-0.8r	1.2r	-1.0r	0.6r	28.6r	3.0r
	III	1.5r	8.0r	6.4r	4.2r	0.0r	2.6r	1.2r	2.2r	9.5r	2.9r
	IV	1.2r	6.1r	4.8r	4.1r	0.0r	2.8r	3.6r	3.0r	1.5r	2.9r
	ANNUAL	2.0r	8.8r	6.7r	3.7r	-0.5r	1.7r	0.1r	1.3r	20.2r	2.9r

See footnotes following table 6.

r=revised

July 30, 1986

Source: Bureau of Labor Statistics

SOURCE: Output data from Bureau of Economic Analysis, U.S. Department of Commerce, and the Federal Reserve Board. Compensation and hours data from the Bureau of Labor Statistics, U.S. Department of Labor, and the Bureau of Economic Analysis.

RELIABILITY: Productivity and cost measures are regularly revised as more complete information becomes available. Preliminary results are published 30 days after the close of the reference period; revisions appear 30 days later, and second revisions after an additional 60 days. In the business sector, the probability is 0.95 that the third publication (second revision) of a quarterly index of output per hour of all persons will differ from the preliminary value by between -1.7 and +1.9 index points. This interval is based on the performance of this measure between the first quarter of 1976 and the second quarter of 1985.

Footnotes, Tables 1-6

(1) Wages and salaries of the employees plus employers' contributions for social insurance and private benefit plans. Except for nonfinancial corporations, where there are no self-employed, data also include an estimate of wages, salaries, and supplemental payments for the self-employed.

(2) Compensation per hour adjusted for changes in the Consumer Price Index for All Urban Consumers.

(3) Unit nonlabor payments include profits, capital consumption allowances, interest, rental income of persons, and indirect taxes.

(4) Current dollar gross product divided by constant dollar gross product.

(5) Quarterly changes: percent change compounded at annual rate from the original data rather than index numbers. Annual changes: percent change between annual average levels.

(6) Quarterly manufacturing output measures are based on the index of industrial production prepared monthly by the Board of Governors of the Federal Reserve adjusted by BLS to annual manufacturing output levels (gross product originating) from the National Income and Product Accounts prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce.

(7) Unit nonlabor cost includes capital consumption allowances, interest, rental income of persons, and indirect taxes.

(8) Total unit cost is the sum of labor and nonlabor costs.

(9) Unit profits include corporate profits with inventory valuation and capital consumption adjustments.

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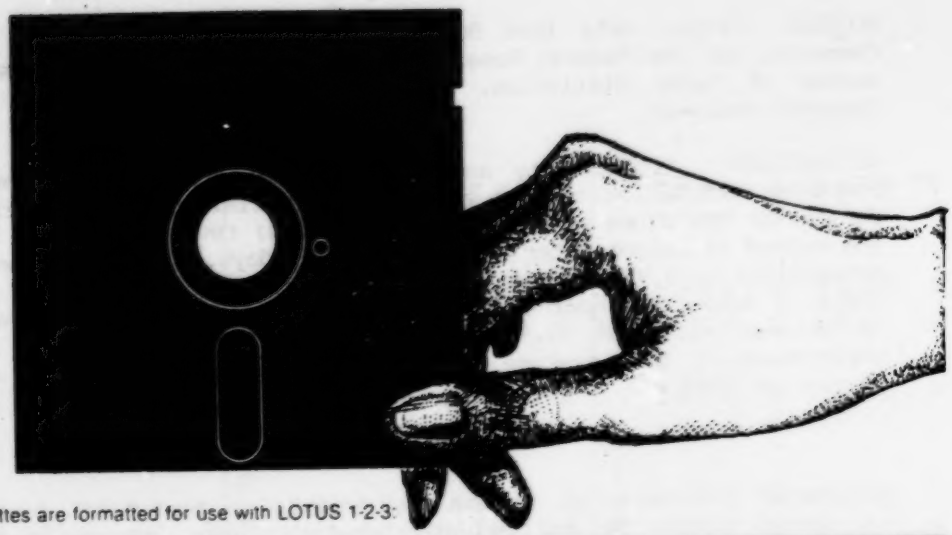

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Tuesday, December 2, 1986

PRODUCTIVITY AND COSTS
Third Quarter 1986
Revised Data for Business, Nonfarm Business, and Manufacturing and
Preliminary Measures for Nonfinancial Corporations

The Bureau of Labor Statistics of the U.S. Department of Labor today reported revised productivity data--as measured by output per hour of all persons--for the third quarter of 1986. Based on information now available, the seasonally-adjusted annual rates of productivity increase in the third quarter were:

0.2 percent in the business sector,
0.2 percent in the nonfarm business sector,
3.7 percent in manufacturing,
3.1 percent in durable goods manufacturing, and
4.8 percent in nondurable goods manufacturing.

Revised third-quarter measures are summarized in table A and appear in detail in tables 1 through 5. Preliminary measures for nonfinancial corporations also announced today indicate that productivity in that sector increased 0.3 percent in the third quarter (tables B and 6).

Business

Productivity increased at a 0.2 percent annual rate during the third quarter of 1986 in the business sector. The increase was virtually the same as the preliminary 0.1 percent increase published last month. Output rose 2.5 percent and hours of all persons engaged in the sector increased 2.3 percent (seasonally adjusted annual rates). During the second quarter of 1986, productivity rose 0.5 percent as output increased 0.3 percent and hours of all persons declined 0.2 percent (table 1).

Hourly compensation increased at a 2.9 percent annual rate during the third quarter of 1986, compared with a 2.8 percent gain during the second quarter. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 2.7 percent annual rate during the third quarter, compared with a 2.3 percent increase during the second quarter.

Real hourly compensation, which takes into account the increase in the Consumer Price Index for All Urban Consumers (CPI-U), increased 0.3 percent in the third quarter. Real hourly compensation had increased 4.5 percent in the second quarter of 1986, partly reflecting falling consumer prices.

Table A. Productivity and costs: Revised third quarter 1986 measures
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
	Percent change from preceding quarter					
Business	0.2	2.5	2.3	2.9	0.3	2.7
Nonfarm business	0.2	3.0	2.8	2.3	-0.2	2.2
Manufacturing	3.7	3.0	-0.6	2.4	-0.2	-1.3
Durable	3.1	1.3	-1.7	2.4	-0.1	-0.6
Nondurable	4.8	5.9	1.0	2.6	0.1	-2.1
	Percent change from same quarter a year ago					
Business	0.2	2.1	2.0	3.0	1.3	2.8
Nonfarm business	0.3	2.4	2.1	2.9	1.2	2.5
Manufacturing	2.3	2.0	-0.3	2.5	0.8	0.2
Durable	1.7	0.4	-1.3	2.7	1.0	1.0
Nondurable	3.4	4.7	1.2	2.4	0.7	-1.0

The implicit price deflator for the business sector (which reflects changes in unit labor costs and unit nonlabor payments) increased 3.4 percent in the third quarter, the largest increase in 2 years.

Nonfarm business

Productivity also increased 0.2 percent in the nonfarm business sector during the third quarter of 1986, the same as the preliminary measure. Output rose 3.0 percent and hours of all persons--employees, proprietors, and unpaid family workers--increased 2.8 percent. As in the more comprehensive business sector, output and hours grew more strongly in the third than in the second quarter (table 2).

Hourly compensation increased a modest 2.3 percent in the third quarter, but fell 0.2 percent when the increase in the CPI-U is taken into account. Although hourly compensation increased at the same rate in the second and third quarters, real hourly compensation moved quite differently, reflecting the changes in the CPI-U. Unit labor costs increased 2.2 percent in the third quarter.

The implicit price deflator for the nonfarm business sector rose 3.3 percent in the third quarter, compared with a 1.0 percent increase one quarter earlier.

Manufacturing

Productivity increased at a 3.7 percent seasonally adjusted annual rate in manufacturing in the third quarter of 1986, compared with the 4.2-percent previously published figure. Output rose 3.0 percent and hours of all persons decreased 0.6 percent. During the second quarter, output and hours both declined (table 3). Productivity grew in both durables and nondurables, but hours of all persons declined in durables while increasing slightly in the nondurable subsector. (Nearly 50 percent more people are employed in durable goods production as in nondurable goods.) Output grew more slowly among durable goods industries (tables 4 and 5).

Hourly compensation of all manufacturing sector workers increased 2.4 percent during the third quarter, but declined 0.2 percent when the increase in consumer prices is taken into account. Unit labor costs fell at a 1.3 percent annual rate, compared with a 0.5 percent decrease during the second quarter of 1986. This was the third consecutive quarter during which labor costs have fallen in manufacturing.

Nonfinancial corporations

Preliminary third-quarter 1986 measures of productivity and costs were also announced today for the nonfinancial corporate sector (tables B and 6). Output per all-employee hour increased 0.3 percent from the second to the third quarter of 1986, as output increased 1.4 percent and hours of all employees increased 1.1 percent (table 6). This was the first quarter in which productivity rose since the third quarter of 1985. The sector includes all corporations doing business in the United States, except banks, stock and commodity brokers, and finance and insurance agencies. Output and hours grew less rapidly than in the more comprehensive nonfarm business sector reported above.

Table B. Nonfinancial corporations: Preliminary third-quarter productivity and cost measures
Quarterly percent change at seasonally adjusted annual rates

Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
1986 II to 1986 III	0.3	1.4	1.1	1.8	-0.7	1.5	6.4	3.2
1985 III to 1986 III	-0.8	0.8	1.7	2.2	0.5	3.0	-5.2	2.0

Hourly compensation increased 1.8 percent, but declined 0.7 percent when the rise in the CPI-U is taken into account. Unit labor costs rose 1.5 percent, unit nonlabor costs increased 6.6 percent, and unit profits rose 6.4 percent (table 6). The implicit deflator for nonfinancial corporate output increased 3.2 percent in the third quarter.

Revised measured

All preliminary and revised productivity and cost measures for the third quarter are compared in table C for the business and manufacturing sectors. The revised productivity movements in business and nonfarm business are nearly the same as those reported on October 29, based on preliminary information then available. In manufacturing, opposite revisions in output and hours resulted in smaller productivity gains than had previously been reported.

Table C. Preliminary and revised productivity and related measures, third quarter 1986
Quarterly percent change at seasonally adjusted annual rates

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Business:						
Preliminary	0.1	2.5	2.4	2.9	0.3	2.8
Revised	0.2	2.5	2.3	2.9	0.3	2.7
Nonfarm business:						
Preliminary	0.2	3.2	3.0	2.3	-0.2	2.1
Revised	0.2	3.0	2.8	2.3	-0.2	2.2
Manufacturing:						
Preliminary	4.2	3.4	-0.8	2.7	0.1	-1.5
Revised	3.7	3.0	-0.6	2.4	-0.2	-1.3

Next release date

The next issue of Productivity and Costs is scheduled for release at 10:00 AM EST, Monday, February 2, 1987, and will contain preliminary fourth-quarter measures for business, nonfarm business, and manufacturing. Tentative release dates for 1987 are:

Reference period	Preliminary measures	Revised measures
1986:		
Fourth Qtr.	February 2	March 2
1987:		
First Qtr.	April 27	June 1
Second Qtr.	July 30	August 27
Third Qtr.	October 29	November 30

TECHNICAL NOTES

Business sector output is equal to gross national product in constant 1982 dollars, less the rest-of-the-world sector, general government, output of nonprofit institutions, output of paid employees of private households, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurables goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metals; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes these 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemical and chemical products, petroleum products, rubber and plastic products, food, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product in constant 1982 dollars, less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwelling, the output of corporations engaged in baking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this news release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contribution of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; mangerial skill; and the characteristics and effort of the work force.

Table 1. Business sector: Productivity, hourly compensation, unit labor cost, and prices, seasonally adjusted

Year	and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost	Unit non-labor payments(3)	Implicit price deflator(4)
					Indexes 1977=100				
1985	I	105.7	121.3	114.8	172.3	98.4	163.1	158.3	161.4
	II	106.4	122.3	115.0	174.5	98.7	164.0	160.0	162.6
	III	107.3	123.5	115.2	176.4	99.1	164.4	161.4	163.4
	IV	106.4	123.8	116.4	178.0	99.0	167.3	159.6	164.6
	ANNUAL	106.4	122.7	115.3	175.3	98.8	164.8	159.7	163.0
1986	I	107.3	125.3	116.8	179.1	99.2	167.0	162.2	165.3
	II	107.4	125.4	116.7	180.4	100.3	168.0	161.9	165.8
	III	107.4	126.2	r117.4	181.7	100.4	169.1	r163.7	r167.2
					Percent change from previous quarter at annual rate(5)				
1985	I	0.9	3.6	2.6	4.2	1.0	3.3	1.6	2.7
	II	2.7	3.3	0.6	5.1	1.0	2.4	4.2	3.0
	III	3.4	4.1	0.7	4.4	1.8	1.0	3.7	1.9
	IV	-3.2	1.0	4.3	3.8	-0.5	7.2	-4.3	3.0
	ANNUAL	1.0	3.3	2.2	4.3	0.7	3.2	2.2	2.9
1986	I	3.3	4.7	1.4	2.5	1.0	-0.7	6.6	1.8
	II	0.5	0.3	-0.2	2.8	4.5	2.3	-0.7	1.2
	III	r0.2	2.5	r2.3	2.9	0.3	r2.7	r4.6	r3.4
					Percent change from corresponding quarter of previous year				
1985	I	0.8	3.8	3.0	3.9	0.3	3.1	2.7	3.0
	II	0.8	2.8	2.0	4.5	0.7	3.6	2.0	3.1
	III	1.7	3.4	1.7	4.4	1.0	2.6	2.8	2.7
	IV	0.9	3.0	2.1	4.4	0.8	3.4	1.2	2.7
	ANNUAL	1.0	3.3	2.2	4.3	0.7	3.2	2.2	2.9
1986	I	1.5	3.3	1.8	3.9	0.8	2.4	2.5	2.4
	II	1.0	2.5	1.6	3.4	1.7	2.4	1.2	2.0
	III	r0.2	2.1	2.0	3.0	1.3	2.8	r1.4	2.3

See footnotes following table 6.
r=revised
p=preliminary

December 2, 1986
Source: Bureau of Labor Statistics

Table 2. Nonfarm business sector: Productivity, hourly compensation, unit labor cost, and prices, seasonally adjusted

Year and quarter		Output per hour of all persons	Output	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost	Unit nonlabor payments(3)	Implicit price deflator(4)
					Indexes 1977=100				
1985	I	104.4	121.1	116.0	172.1	98.2	164.8	158.9	162.7
	II	104.9	122.1	116.4	174.0	98.4	165.9	160.8	164.1
	III	105.4	123.3	116.9	175.4	98.5	166.3	163.0	165.2
	IV	104.5	123.6	118.2	177.0	98.4	169.3	160.3	166.2
	ANNUAL	104.8	122.5	116.9	174.6	98.4	166.7	160.6	164.6
1986	I	105.6	125.1	118.5	178.3	98.8	168.8	163.9	167.1
	II	105.7	125.3	118.5	179.3	99.8	169.6	163.7	167.5
	III	105.8	r126.2	r119.3	180.4	99.7	170.5	r165.9	r168.9
					Percent change from previous quarter at annual rate(5)				
1985	I	0.3	3.2	2.9	3.9	0.7	3.6	2.5	3.2
	II	1.8	3.0	1.2	4.6	0.5	2.7	4.7	3.4
	III	2.2	4.0	1.8	3.2	0.7	1.0	5.7	2.6
	IV	-3.5	1.0	4.6	3.7	-0.6	7.4	-6.6	2.4
	ANNUAL	0.5	3.0	2.6	4.0	0.4	3.5	2.9	3.3
1986	I	4.3	5.1	0.8	3.1	1.6	-1.2	9.3	2.3
	II	0.5	0.6	0.1	2.3	4.0	1.8	-0.6	1.0
	III	0.2	r3.0	r2.8	2.3	-0.2	r2.2	r5.6	r3.3
					Percent change from corresponding quarter of previous year				
1985	I	0.5	3.6	3.1	3.9	0.3	3.4	3.7	3.5
	II	0.2	2.5	2.3	4.2	0.5	4.0	2.8	3.6
	III	1.0	3.1	2.1	4.0	0.6	3.0	3.7	3.2
	IV	0.2	2.8	2.6	3.9	0.3	3.7	1.5	2.9
	ANNUAL	0.5	3.0	2.6	4.0	0.4	3.5	2.9	3.3
1986	I	1.2	3.3	2.1	3.6	0.5	2.5	3.1	2.7
	II	0.8	2.7	1.8	3.1	1.4	2.2	1.8	2.1
	III	0.3	r2.4	2.1	r2.9	1.2	2.5	r1.8	r2.3

See footnotes following table 6.
r=revised
p=preliminary

December 2, 1986
Source: Bureau of Labor Statistics

the third quarter. Real hourly compensation
second quarter of 1986, partly reflecting falling consumer prices.

Table 3. Manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted

Year	and quarter	Output per hour of all persons	Output (6)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost
				Indexes 1977=100			
1985	I	119.3	118.8	99.6	173.8	99.2	145.7
	II	121.7	119.9	98.5	175.6	99.3	144.3
	III	123.0	121.2	98.5	178.1	100.0	144.8
	IV	122.9	121.9	99.1	179.3	99.7	145.8
	ANNUAL	121.7	120.4	98.9	176.7	99.5	145.1
1986	I	123.7	122.8	99.3	180.2	99.8	145.7
	II	124.7	122.7	98.4	181.4	100.9	145.5
	III	r125.8	r123.6	98.2	r182.5	r100.9	r145.0
				Percent change from previous quarter at annual rate(5)			
1985	I	3.9	3.2	-0.6	5.5	2.2	1.5
	II	8.2	3.7	-4.2	4.3	0.3	-3.6
	III	4.4	4.3	-0.1	5.6	3.0	1.2
	IV	-0.3	2.4	2.7	2.8	-1.4	3.0
	ANNUAL	4.4	3.8	-0.5	5.0	1.4	0.6
1986	I	2.6	3.0	0.4	2.1	0.6	-0.5
	II	3.2	-0.4	-3.5	2.7	4.4	-0.5
	III	r3.7	r3.0	r-0.6	r2.4	r-0.2	r-1.3
				Percent change from corresponding quarter of previous year			
1985	I	4.0	4.8	0.8	5.1	1.4	1.1
	II	5.2	4.0	-1.2	5.3	1.6	0.1
	III	4.4	3.2	-1.2	5.3	1.9	0.9
	IV	4.0	3.4	-0.6	4.5	1.0	0.5
	ANNUAL	4.4	3.8	-0.5	5.0	1.4	0.6
1986	I	3.7	3.4	-0.3	3.7	0.6	0.0
	II	2.5	2.3	-0.2	3.3	1.6	0.8
	III	r2.3	r2.0	-0.3	r2.5	r0.8	r0.2

See footnotes following table 6.
r=revised
p=preliminary

December 2, 1986
Source: Bureau of Labor Statistics

Table 4. Durable manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted

Year	Quarter	Output per hour of all persons	Output (6)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost
				Indexes 1977=100			
1985	I	121.4	122.6	100.9	172.0	98.2	141.6
	II	124.4	124.1	99.8	173.2	97.9	139.2
	III	126.3	125.6	99.5	176.5	99.2	139.8
	IV	126.4	126.4	100.0	178.0	98.9	140.8
	ANNUAL	124.6	124.7	100.1	174.9	98.5	140.3
1986	I	127.1	126.9	99.9	178.9	99.1	140.8
	II	127.4	125.7	98.7	180.2	100.2	141.4
	III	r128.4	r126.1	98.2	r181.2	100.2	r141.2
				Percent change from previous quarter at annual rate(5)			
1985	I	8.2	7.2	-0.9	6.1	2.8	-1.9
	II	10.2	5.1	-4.6	3.0	-1.0	-6.6
	III	6.1	4.9	-1.1	7.8	5.1	1.6
	IV	0.5	2.7	2.2	3.3	-0.9	2.8
	ANNUAL	6.8	6.6	-0.2	5.0	1.4	-1.7
1986	I	2.1	1.5	-0.6	2.2	0.7	0.1
	II	1.0	-3.8	-4.8	2.8	4.5	1.7
	III	r3.1	r1.3	r-1.7	r2.4	r-0.1	r-0.6
				Percent change from corresponding quarter of previous year			
1985	I	6.5	8.7	2.0	4.8	1.1	-1.7
	II	7.9	7.4	-0.4	4.8	1.1	-2.8
	III	6.8	5.4	-1.2	5.6	2.1	-1.1
	IV	6.2	5.0	-1.1	5.0	1.5	-1.1
	ANNUAL	6.8	6.6	-0.2	5.0	1.4	-1.7
1986	I	4.7	3.5	-1.1	4.1	0.9	-0.6
	II	2.4	1.3	-1.1	4.0	2.3	1.6
	III	r1.7	r0.4	-1.3	2.7	r1.0	r1.0

See footnotes following table 6.
r=revised
p=preliminary

December 2, 1986
Source: Bureau of Labor Statistics

Table 5. Nondurable manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted

	Year and quarter	Output per hour of all persons	Output (6)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost
				Indexes 1977=100			
1985	I	116.0	113.2	97.6	176.5	100.8	152.1
	II	117.5	113.6	96.7	179.4	101.5	152.7
	III	118.0	114.5	97.0	180.4	101.3	152.8
	IV	117.6	115.1	97.9	181.3	100.8	154.1
	ANNUAL	117.3	114.1	97.3	179.4	101.0	152.9
1986	I	118.6	116.7	98.3	182.2	100.9	153.6
	II	120.7	118.2	97.9	183.5	102.1	152.1
	III	122.1	119.9	98.2	r184.7	r102.1	r151.3
				Percent change from previous quarter at annual rate(5)			
1985	I	-2.6	-2.8	-0.2	4.4	1.2	7.2
	II	5.2	1.5	-3.5	6.9	2.8	1.7
	III	1.8	3.3	1.5	2.1	-0.4	0.3
	IV	-1.4	1.9	3.4	1.9	-2.3	3.4
	ANNUAL	0.7	-0.3	-1.0	5.0	1.4	4.3
1986	I	3.5	5.6	2.0	2.2	0.7	-1.3
	II	7.0	5.3	-1.6	2.9	4.6	-3.9
	III	r4.8	5.9	r1.0	r2.6	r0.1	r-2.1
				Percent change from corresponding quarter of previous year			
1985	I	0.1	-0.9	-1.0	5.3	1.7	5.2
	II	1.2	-1.1	-2.3	6.1	2.3	4.8
	III	0.9	-0.3	-1.1	4.9	1.5	4.0
	IV	0.7	1.0	0.3	3.8	0.3	3.1
	ANNUAL	0.7	-0.3	-1.0	5.0	1.4	4.3
1986	I	2.2	3.1	0.8	3.3	0.2	1.0
	II	2.7	4.0	1.3	2.3	0.6	-0.4
	III	r3.4	4.7	r1.2	r2.4	r0.7	r-1.0

See footnotes following table 6.
r=revised
p=preliminary

December 2, 1986
Source: Bureau of Labor Statistics

Table 6. Nonfinancial corporations: Productivity, hourly compensation, unit labor cost, unit profits, and prices, seasonally adjusted

Year	and quarter	Output per all-employee hour	Output	Employee hours	Hourly compensation (1)	Real hourly compensation(2)	Unit labor cost	Unit non-labor cost(7)	Total unit cost (8)	Unit profits (9)	Implicit price deflator (4)
					Indexes 1977=100						
1985	I	106.0	123.1	116.1	169.9	97.0	160.3	178.5	164.9	129.3	160.6
	II	106.5	124.2	116.6	171.6	97.0	161.1	179.8	165.8	130.2	161.6
	III	107.8	126.0	116.8	173.1	97.2	160.5	178.3	165.0	141.7	162.2
	IV	107.0	126.1	117.8	174.5	97.0	163.0	179.8	167.2	131.2	162.9
	ANNUAL	106.8	124.8	116.9	172.3	97.0	161.2	179.1	165.8	133.1	161.8
1986	I	106.9	126.9	118.7	175.4	97.1	164.0	181.1	168.3	131.7	164.0
	II	106.8	126.6	118.5	176.1	97.9	164.8	179.9	168.6	132.3	164.3
	III	p106.9	p127.0	p118.8	p176.8	p97.7	p165.4	p182.8	p169.8	p134.4	p165.6
					Percent change from previous quarter at annual rate(5)						
1985	I	0.8	3.2	2.4	3.8	0.6	3.0	2.2	2.8	-3.6	2.2
	II	2.2	3.7	1.4	4.2	0.2	2.0	3.0	2.3	3.0	2.3
	III	4.9	5.9	1.0	3.4	0.9	-1.4	-3.3	-1.9	40.1	1.7
	IV	-2.8	0.5	3.4	3.3	-0.9	6.3	3.3	5.5	-26.4	1.7
	ANNUAL	1.2	3.7	2.5	3.9	0.3	2.7	2.6	2.7	-0.2	2.4
1986	I	-0.5	2.6	3.1	2.0	0.5	2.5	3.1	2.7	1.3	2.5
	II	-0.3	-1.1	-0.8	1.6	3.3	1.9	-2.7	0.6	2.0	0.7
	III	p0.3	p1.4	p1.1	p1.8	p-0.7	p1.5	p6.6	p2.9	p6.4	p3.2
					Percent change from corresponding quarter of previous year						
1985	I	0.6	4.1	3.5	3.8	0.2	3.2	4.3	3.5	-3.8	2.7
	II	0.6	3.1	2.5	4.1	0.4	3.5	3.9	3.6	-5.9	2.6
	III	2.2	4.2	2.0	3.9	0.5	1.6	1.1	1.5	8.7	2.2
	IV	1.2	3.3	2.1	3.7	0.2	2.4	1.3	2.1	0.6	2.0
	ANNUAL	1.2	3.7	2.5	3.9	0.3	2.7	2.6	2.7	-0.2	2.4
1986	I	0.9	3.2	2.2	3.2	0.2	2.3	1.5	2.1	1.8	2.1
	II	0.3	2.0	1.7	2.6	0.9	2.3	0.0	1.7	1.6	1.7
	III	p-0.8	p0.8	p1.7	p2.2	p0.5	p3.0	p2.5	p2.9	p-5.2	p2.0

See footnotes following table 6.
r=revised
p=preliminary

December 2, 1986
Source: Bureau of Labor Statistics

SOURCE: Output data from Bureau of Economic Analysis, U.S. Department of Commerce, and the Federal Reserve Board. Compensation and hours data from the Bureau of Labor Statistics, U.S. Department of Labor, and the Bureau of Economic Analysis.

RELIABILITY: Productivity and cost measures are regularly revised as more complete information becomes available. Preliminary results are published 30 days after the close of the reference period; revisions appear 30 days later, and second revisions after an additional 60 days. In the business sector, the probability is 0.95 that the third publication (second revision) of a quarterly index of output per hour of all persons will differ from the preliminary value by between -1.9 and +2.0 index points. This interval is based on the performance of this measure between the first quarter of 1976 and the second quarter of 1986.

Footnotes, Tables 1-6

(1) Wages and salaries of the employees plus employers' contributions for social insurance and private benefit plans. Except for nonfinancial corporations, where there are no self-employed, data also include an estimate of wages, salaries, and supplemental payments for the self-employed.

(2) Compensation per hour adjusted for changes in the Consumer Price Index for All Urban Consumers.

(3) Unit nonlabor payments include profits, capital consumption allowances, interest, rental income of persons, and indirect taxes.

(4) Current dollar gross product divided by constant dollar gross product.

(5) Quarterly changes: percent change compounded at annual rate from the original data rather than index numbers. Annual changes: percent change between annual average levels.

(6) Quarterly manufacturing output measures are based on the index of industrial production prepared monthly by the Board of Governors of the Federal Reserve adjusted by BLS to annual manufacturing output levels (gross product originating) from the National Income and Product Accounts prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce.

(7) Unit nonlabor cost includes capital consumption allowances, interest, rental income of persons, and indirect taxes.

(8) Total unit cost is the sum of labor and nonlabor costs.

(9) Unit profits include corporate profits with inventory valuation and capital consumption adjustments.

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PRODUCTIVITY AND COSTS
Revised Fourth-Quarter and 1986 Annual Data for Business, Nonfarm Business, and Manufacturing, and Preliminary 1986 Annual Measures for Nonfinancial Corporations

The Bureau of Labor Statistics of the U.S. Department of Labor today reported revised productivity data--as measured by output per hour of all persons--for the fourth quarter and year of 1986. Based on more complete information than was available earlier, the revised productivity changes were:

	Fourth quarter	1985-1986
Business sector.....	-2.8	0.7
Nonfarm business sector.....	-2.2	0.7
Manufacturing.....	-0.1	2.7
Durable goods manufacturing.....	0.6	2.7
Nondurable goods manufacturing..	-1.2	2.8

Productivity advanced slowly in the business and nonfarm business sectors when 1986 is compared with 1985, reflecting moderate growth during the first half of the year and declines in the third and fourth quarters. Productivity growth in these two sectors in 1986 was similar to the 1985 experience. In manufacturing, productivity growth was more rapid than in the broader sectors, but was nonetheless smaller than the preceding year's increase. These revised annual measures are virtually the same as the preliminary movements published last month.

Fourth-quarter measures are summarized in table A and appear in detail in tables 1 through 5. Preliminary 1986 annual measures for nonfinancial corporations announced today indicate productivity showed no change over 1985 (tables B and 6).

THIRD TO FOURTH QUARTER CHANGES, 1986

Business

Productivity fell at a 2.8 percent annual rate from the third to the fourth quarter of 1986 in the business sector, the second consecutive quarterly decline. Output rose 1.7 percent, but hours of all persons employed in the sector increased 4.6 percent (seasonally-adjusted annual rates). The

See page 5 for new release dates for Productivity and Costs in 1987.

Table A. Productivity and costs: Revised fourth quarter 1986 measures (Seasonally-adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
	Percent change from preceding quarter					
Business	-2.8	1.7	4.6	2.1	-0.6	5.0
Nonfarm business	-2.2	1.9	4.3	2.7	0.0	5.1
Manufacturing	-0.1	3.3	3.4	2.1	-0.6	2.2
Durable	0.6	3.2	2.5	3.0	0.4	2.4
Nondurable	-1.2	3.4	4.6	0.6	-2.0	1.9
	Percent change from same quarter a year ago					
Business	0.1	2.2	2.0	2.6	1.2	2.4
Nonfarm business	0.5	2.5	2.0	2.6	1.2	2.1
Manufacturing	2.3	2.2	-0.1	2.3	1.0	0.0
Durable	1.8	0.6	-1.2	2.6	1.3	0.8
Nondurable	3.2	4.8	1.5	2.1	0.7	-1.1

increase in hours reflected the largest gain in business employment and the only increase in average weekly hours of the year. During the third quarter of 1986, productivity had fallen 0.4 percent, as output increased 2.0 percent and hours of all persons increased 2.4 percent (table 1).

From the fourth quarter of 1985 to the fourth quarter of 1986, productivity edged upward 0.1 percent, as output rose 2.2 percent and hours of all persons increased 2.0 percent. Hourly compensation increased 2.6 percent, but rose only 1.2 percent in real terms. Unit labor costs increased 2.4 percent, and the implicit price deflator rose 1.5 percent.

Hourly compensation increased at a 2.1 percent annual rate during the fourth quarter of 1986, compared with a 2.9 percent gain during the third quarter. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 5.0 percent annual rate during the fourth quarter, compared with a 3.3 percent increase during the third quarter.

Real hourly compensation, which takes into account the increase in the Consumer Price Index for All Urban Consumers (CPI-U), declined 0.6 percent in the fourth quarter. Real hourly compensation increased 0.4 percent in the third quarter of 1986, partly reflecting slowly rising consumer prices.

The implicit price deflator for the business sector, which reflects changes in unit labor costs and unit nonlabor payments, declined 0.5 percent in the fourth quarter, the first drop in nearly 20 years.

Nonfarm business

Productivity also declined in the second half of 1986 in the nonfarm business sector, dropping 2.2 percent during the fourth quarter. Output rose 1.9 percent during the quarter, and hours of all persons--employees, proprietors, and unpaid family workers--increased 4.3 percent (table 2). Over the 4 quarters ended with the last quarter of 1986, nonfarm productivity increased 0.5 percent, as output and hours rose 2.5 percent and 2.0 percent, respectively. As in the more comprehensive business sector, nonfarm employment and average weekly hours posted their best performance of 1986 during the October-December period.

Hourly compensation increased 2.7 percent in the fourth quarter, but was unchanged when the increase in the CPI-U was taken into account. Unit labor costs increased 5.1 percent in the fourth quarter.

The implicit price deflator for nonfarm business output declined at a 0.4 percent annual rate in the fourth quarter, compared with a 3.6 percent increase one quarter earlier. This was the first quarter these prices failed to rise since 1967.

Manufacturing

Productivity declined at a 0.1 percent seasonally-adjusted annual rate in manufacturing in the final quarter of 1986, compared with a 3.6-percent increase during the third quarter. Output rose 3.3 percent, and hours of all persons increased 3.4 percent. Although the productivity decline was the first since the fourth quarter of 1985, increases in output and hours were the largest of 1986. During the third quarter of 1986, output had risen 2.9 percent, but hours declined 0.6 percent (table 3). Manufacturing productivity was 2.3 percent higher in the fourth quarter of 1986 than in the same quarter of the preceding year; output rose 2.2 percent, while hours fell 0.1 percent.

Productivity grew in durables while declining in nondurables, but output and hours increased in both subsectors. Output grew more slowly among durable goods industries (tables 4 and 5).

Hourly compensation of all manufacturing workers increased 2.1 percent during the fourth quarter, but most of the gain was attributable to durables. When the increase in consumer prices is taken into account, real hourly compensation declined 0.6 percent. Unit labor costs increased at a 2.2 percent annual rate, compared with an 1.1 percent decrease during the third quarter of 1986. This was the only quarter during which manufacturing unit labor costs rose this year.

ANNUAL CHANGES, 1985-1986

Nonfinancial corporations

The Bureau of Labor Statistics also reported the annual change in productivity and related measures for nonfinancial corporations for 1986.

Table B. Annual changes in productivity and related measures, 1977-1986

Measure	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Nonfinancial corporations:										
Productivity.....	1.6	0.6	-0.8	-0.7	0.6	0.7	3.2	2.0	1.2	0.0
Output.....	6.5	6.1	2.8	-1.8	1.6	-3.0	4.7	8.8	3.7	1.8
Hours.....	4.8	5.5	3.7	-1.0	1.0	-3.7	1.5	6.7	2.5	1.8
Hourly compensation..	7.7	8.4	9.5	10.4	9.3	7.7	3.6	3.7	3.9	2.4
Real hourly comp.....	1.2	0.7	-1.6	-2.7	-1.0	1.5	0.4	-0.5	0.3	0.5
Unit labor costs.....	6.0	7.8	10.4	11.2	8.7	6.9	0.4	1.7	2.7	2.4
Unit nonlabor cost...	4.0	5.7	9.6	18.0	16.4	10.9	-1.2	0.1	2.6	1.2
Total unit cost.....	5.5	7.3	10.2	12.9	10.7	8.0	0.0	1.3	2.7	2.1
Unit profit.....	11.8	2.0	-7.3	-9.9	15.2	-20.0	41.4	20.2	-0.2	0.0
Implicit price def...	6.2	6.6	8.2	10.7	11.0	5.7	2.6	2.9	2.4	1.9

According to preliminary measures, productivity was unchanged in 1986, as output and hours of all employees both gained 1.8 percent. Hourly compensation rose 2.4 percent in 1986 (the smallest rise in this series which begins with 1959) and increased only 0.5 percent when the rise in the CPI-U is taken into account. Unit labor costs rose 2.4 percent, unit nonlabor cost rose 1.2 percent, and unit profits were unchanged from 1985 levels. Annual changes from 1977 to 1986 are shown in table B.

REVISED FOURTH QUARTER 1986 MEASURES

The Bureau of Labor Statistics also reported revised measures for the fourth quarter of 1986 for the business, nonfarm business, and manufacturing sectors (table C). Productivity performed somewhat more poorly in the fourth quarter than had been reported on February 2, 1987, based on preliminary information then available.

Table C. Preliminary and revised productivity and related measures, fourth quarter 1986
Percent change from previous quarter
(Seasonally-adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Business:						
Preliminary	-2.3	2.1	4.5	2.4	-0.4	4.9
Revised	-2.8	1.7	4.6	2.1	-0.6	5.0
Nonfarm business:						
Preliminary	-1.7	2.4	4.2	3.1	0.2	4.9
Revised	-2.2	1.9	4.3	2.7	0.0	5.1
Manufacturing:						
Preliminary	0.2	3.8	3.7	2.1	-0.7	1.9
Revised	-0.1	3.3	3.4	2.1	-0.6	2.2

NEXT RELEASE DATE

The next issue of Productivity and Costs is scheduled for release at **10:00 AM EDT, Monday, May 4, 1987,** and will contain measures for nonfinancial corporations, business, nonfarm business, and manufacturing.

The Department of Commerce recently announced that release of national income and product accounts data will be delayed in order to incorporate more accurate trade measures. This delay will affect the availability of productivity and cost measures. The following tabulation shows new release dates for productivity and cost measures for the remainder of 1987.

Reference period	Preliminary measures	Revised measures
1987:		
First quarter	May 4	June 2
Second quarter	August 3	August 31
Third quarter	November 2	December 3

TECHNICAL NOTES

Business sector output is equal to gross national product in constant 1982 dollars, less the rest-of-the-world sector, general government, output of nonprofit institutions, output of paid employees of private households, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurables goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metals; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes these 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemical and chemical products, petroleum products, rubber and plastic products, food, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product in constant 1982 dollars, less the rest-of-the-world sector, general government, unincorporated business, output of nonprofit institutions, output of paid employees of private households, rental value of owner-occupied dwelling, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this news release describe the relationship between output in real terms and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours of all persons engaged in a sector, they do not measure the specific contribution of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; mangerial skill; and the characteristics and effort of the work force.

Table 1. Business sector: Productivity, hourly compensation, unit labor cost, and prices, seasonally adjusted

Year and quarter		Output per hour of all persons	Output	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost	Unit nonlabor payments(3)	Implicit price deflator(4)
				Indexes 1977=100					
1985	I	105.7	121.3	114.8	172.3	98.4	163.1	158.3	161.4
	II	106.4	122.3	115.0	174.5	r98.6	164.0	160.0	162.6
	III	107.3	123.5	115.2	176.4	r99.0	164.4	161.4	163.4
	IV	106.4	123.8	116.4	178.0	99.0	167.3	159.6	164.6
	ANNUAL	106.4	122.7	115.3	175.3	98.8	164.8	159.7	163.0
1986	I	107.3	125.3	116.8	179.1	99.2	167.0	162.2	165.3
	II	107.4	125.4	116.7	180.4	r100.2	168.0	161.9	165.8
	III	107.3	126.0	117.4	181.7	100.4	169.3	163.4	167.2
	IV	r106.6	r126.5	118.7	r182.6	r100.2	r171.4	r159.1	r167.0
	ANNUAL	107.1	125.8	117.5	180.9	100.0	168.9	r161.6	r166.3
				Percent change from previous quarter at annual rate(5)					
1985	I	0.9	3.6	2.6	4.2	r0.9	3.3	1.6	2.7
	II	2.7	3.3	0.6	5.1	r0.5	2.4	4.2	3.0
	III	3.4	4.1	0.7	4.4	r2.0	1.0	3.7	1.9
	IV	-3.2	1.0	4.3	3.8	r-0.1	7.2	-4.3	3.0
	ANNUAL	1.0	3.3	2.2	4.3	0.7	3.2	2.2	2.9
1986	I	3.3	4.7	1.4	2.5	r0.9	-0.7	6.6	1.8
	II	0.5	0.3	-0.2	2.8	r4.2	2.3	-0.7	1.2
	III	-0.4	2.0	2.4	2.9	r0.4	3.3	3.7	3.4
	IV	r-2.8	r1.7	r4.6	r2.1	r-0.6	r5.0	r-10.2	r-0.5
	ANNUAL	0.7	2.5	1.9	3.2	r1.2	2.5	r1.2	2.1
				Percent change from corresponding quarter of previous year					
1985	I	0.8	3.8	3.0	3.9	0.3	3.1	2.7	3.0
	II	0.8	2.8	2.0	4.5	0.7	3.6	2.0	3.1
	III	1.7	3.4	1.7	4.4	1.0	2.6	2.8	2.7
	IV	0.9	3.0	2.1	4.4	0.8	3.4	1.2	2.7
	ANNUAL	1.0	3.3	2.2	4.3	0.7	3.2	2.2	2.9
1986	I	1.5	3.3	1.8	3.9	0.8	2.4	2.5	2.4
	II	1.0	2.5	1.6	3.4	1.7	2.4	1.2	2.0
	III	0.0	2.0	2.0	3.0	1.3	3.0	1.2	2.4
	IV	r0.1	r2.2	2.0	r2.6	r1.2	2.4	r-0.3	r1.5
	ANNUAL	0.7	2.5	1.9	3.2	r1.2	2.5	r1.2	2.1

See footnotes following table 6.
r=revised
p=preliminary

March 2, 1987
Source: Bureau of Labor Statistics

Table 2. Nonfarm business sector: Productivity, hourly compensation, unit labor cost, and prices, seasonally adjusted

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost	Unit nonlabor payments(3)	Implicit price deflator(4)
				Indexes 1977=100				
1985 I	104.4	121.1	116.0	172.1	r98.3	164.8	158.9	162.7
II	104.9	122.1	116.4	174.0	r98.3	165.9	160.8	164.1
III	105.4	123.3	116.9	175.4	98.5	166.3	163.0	165.2
IV	104.5	123.6	118.2	177.0	98.4	169.3	160.3	166.2
ANNUAL	104.8	122.5	116.9	174.6	98.4	166.7	160.6	164.6
1986 I	105.6	125.1	118.5	178.3	98.8	168.8	163.9	167.1
II	105.7	125.3	118.5	179.3	r99.7	169.6	163.7	167.5
III	105.7	126.1	119.4	180.4	r99.6	170.7	165.9	169.0
IV	r105.1	r126.7	120.6	r181.6	r99.6	r172.8	r161.4	r168.8
ANNUAL	105.5	125.8	119.3	179.9	99.4	170.5	r163.7	r168.1
				Percent change from previous quarter at annual rate(5)				
1985 I	0.3	3.2	2.9	3.9	r0.6	3.6	2.5	3.2
II	1.8	3.0	1.2	4.6	r0.0	2.7	4.7	3.4
III	2.2	4.0	1.8	3.2	r0.9	1.0	5.7	2.6
IV	-3.5	1.0	4.6	3.7	r-0.2	7.4	-6.6	2.4
ANNUAL	0.5	3.0	2.6	4.0	0.4	3.5	2.9	3.3
1986 I	4.3	5.1	0.8	3.1	r1.5	-1.2	9.3	2.3
II	0.5	0.6	0.1	2.3	r3.6	1.8	-0.6	1.0
III	-0.3	2.6	2.9	2.3	r-0.1	2.6	5.5	3.6
IV	r-2.2	r1.9	r4.3	r2.7	r0.0	r5.1	r-10.2	r-0.4
ANNUAL	0.7	r2.7	2.0	3.0	1.1	2.3	r1.9	2.2
				Percent change from corresponding quarter of previous year				
1985 I	0.5	3.6	3.1	3.9	0.3	3.4	3.7	3.5
II	0.2	2.5	2.3	4.2	0.5	4.0	2.8	3.6
III	1.0	3.1	2.1	4.0	0.6	3.0	3.7	3.2
IV	0.2	2.8	2.6	3.9	0.3	3.7	1.5	2.9
ANNUAL	0.5	3.0	2.6	4.0	0.4	3.5	2.9	3.3
1986 I	1.2	3.3	2.1	3.6	0.5	2.5	3.1	2.7
II	0.8	2.7	1.8	3.1	1.4	2.2	1.8	2.1
III	0.2	2.3	2.1	2.8	1.2	2.6	1.7	2.3
IV	r0.5	r2.5	2.0	r2.6	r1.2	r2.1	r0.7	r1.6
ANNUAL	0.7	r2.7	2.0	3.0	1.1	2.3	r1.9	2.2

See footnotes following table 6.
r=revised
p=preliminary

March 2, 1987
Source: Bureau of Labor Statistics

Table 3. Manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted

Year and quarter		Output per hour of all persons	Output (6)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost
				Indexes 1977=100			
1985	I	119.3	118.8	99.6	173.8	99.2	145.7
	II	121.7	119.9	98.5	175.6	r99.2	144.3
	III	123.0	121.2	98.5	178.1	100.0	144.8
	IV	122.9	121.9	99.1	179.3	99.7	145.8
	ANNUAL	121.7	120.4	98.9	176.7	99.5	145.1
1986	I	123.7	122.8	99.3	180.2	99.8	145.7
	II	124.7	122.7	98.4	181.4	r100.8	145.5
	III	125.8	123.6	98.2	182.5	r100.8	145.1
	IV	r125.8	r124.6	r99.0	183.5	100.7	r145.9
	ANNUAL	125.0	123.4	98.7	181.9	100.5	145.5
				Percent change from previous quarter at annual rate(5)			
1985	I	3.9	3.2	-0.6	5.5	r2.1	1.5
	II	8.2	3.7	-4.2	4.3	r-0.2	-3.6
	III	4.4	4.3	-0.1	5.6	r3.2	1.2
	IV	-0.3	2.4	2.7	2.8	r-1.1	3.0
	ANNUAL	4.4	3.8	-0.5	5.0	1.4	0.6
1986	I	2.6	3.0	0.4	2.1	r0.5	-0.5
	II	3.2	-0.4	-3.5	2.7	r4.1	-0.5
	III	3.6	2.9	-0.6	2.4	r0.0	-1.1
	IV	r-0.1	r3.3	r3.4	2.1	r-0.6	r2.2
	ANNUAL	2.7	2.5	-0.2	3.0	1.0	r0.3
				Percent change from corresponding quarter of previous year			
1985	I	4.0	4.8	0.8	5.1	1.4	1.1
	II	5.2	4.0	-1.2	5.3	r1.5	0.1
	III	4.4	3.2	-1.2	5.3	1.9	0.9
	IV	4.0	3.4	-0.6	4.5	1.0	0.5
	ANNUAL	4.4	3.8	-0.5	5.0	1.4	0.6
1986	I	3.7	3.4	-0.3	3.7	0.6	0.0
	II	2.5	2.3	-0.2	3.3	1.6	0.8
	III	2.3	2.0	-0.3	2.5	0.8	0.2
	IV	r2.3	r2.2	-0.1	2.3	1.0	r0.0
	ANNUAL	2.7	2.5	-0.2	3.0	1.0	r0.3

See footnotes following table 6.
r=revised
p=preliminary

March 2, 1987
Source: Bureau of Labor Statistics

Table 4. Durable manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted

Year	and quarter	Output per hour of all persons	Output (6)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost
				Indexes 1977=100			
1985	I	121.4	122.6	100.9	172.0	98.2	141.6
	II	124.4	124.1	99.8	173.2	r97.8	139.2
	III	126.3	125.6	99.5	176.5	r99.1	139.8
	IV	126.4	126.4	100.0	178.0	r99.0	140.8
	ANNUAL	124.6	124.7	100.1	174.9	98.5	140.3
1986	I	127.1	126.9	99.9	178.9	99.1	140.8
	II	127.4	125.7	98.7	180.2	r100.1	141.4
	III	128.6	126.2	98.2	181.3	r100.1	141.0
	IV	r128.7	r127.2	r98.8	182.6	100.2	141.8
	ANNUAL	127.9	r126.5	98.9	180.7	99.9	141.3
				Percent change from previous quarter at annual rate(5)			
1985	I	8.2	7.2	-0.9	6.1	r2.7	-1.9
	II	10.2	5.1	-4.6	3.0	r-1.5	-6.6
	III	6.1	4.9	-1.1	7.8	r5.4	1.6
	IV	0.5	2.7	2.2	3.3	r-0.5	2.8
	ANNUAL	6.8	6.6	-0.2	5.0	1.4	-1.7
1986	I	2.1	1.5	-0.6	2.2	r0.6	0.1
	II	1.0	-3.8	-4.8	2.8	r4.1	1.7
	III	3.7	1.8	-1.8	2.5	r0.0	-1.2
	IV	r0.6	r3.2	r2.5	r3.0	r0.4	2.4
	ANNUAL	2.7	1.5	r-1.2	3.3	1.4	0.7
				Percent change from corresponding quarter of previous year			
1985	I	6.5	8.7	2.0	4.8	1.1	-1.7
	II	7.9	7.4	-0.4	4.8	r1.0	-2.8
	III	6.8	5.4	-1.2	5.6	2.1	-1.1
	IV	6.2	5.0	-1.1	5.0	1.5	-1.1
	ANNUAL	6.8	6.6	-0.2	5.0	1.4	-1.7
1986	I	4.7	3.5	-1.1	4.1	0.9	-0.6
	II	2.4	1.3	-1.1	4.0	r2.4	1.6
	III	1.8	0.5	-1.3	2.7	1.0	0.9
	IV	r1.8	r0.6	r-1.2	2.6	1.3	0.8
	ANNUAL	2.7	1.5	r-1.2	3.3	1.4	0.7

See footnotes following table 6.
r=revised
p=preliminary

March 2, 1987
Source: Bureau of Labor Statistics

Table 5. Nondurable manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted

Year and quarter		Output per hour of all persons	Output (6)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost
				Indexes 1977=100			
1985	I	116.0	113.2	97.6	176.5	100.8	152.1
	II	117.5	113.6	96.7	179.4	r101.3	152.7
	III	118.0	114.5	97.0	180.4	101.3	152.8
	IV	117.6	115.1	97.9	181.3	100.8	154.1
	ANNUAL	117.3	114.1	97.3	179.4	101.0	152.9
1986	I	118.6	116.7	98.3	182.2	100.9	153.6
	II	120.7	118.2	97.9	183.5	r102.0	152.1
	III	121.7	119.6	98.2	184.8	102.1	151.8
	IV	r121.4	r120.6	99.3	185.0	101.6	r152.5
	ANNUAL	r120.6	r118.7	98.5	183.9	101.6	r152.5
				Percent change from previous quarter at annual rate(5)			
1985	I	-2.6	-2.8	-0.2	4.4	r1.1	7.2
	II	5.2	1.5	-3.5	6.9	r2.3	1.7
	III	1.8	3.3	1.5	2.1	r-0.2	0.3
	IV	-1.4	1.9	3.4	1.9	r-1.9	3.4
	ANNUAL	0.7	-0.3	-1.0	5.0	1.4	4.3
1986	I	3.5	5.6	2.0	2.2	r0.6	-1.3
	II	7.0	5.3	-1.6	2.9	r4.2	-3.9
	III	3.6	4.8	1.2	2.7	r0.3	-0.9
	IV	r-1.2	r3.4	4.6	0.6	r-2.0	r1.9
	ANNUAL	r2.8	4.1	1.2	2.5	0.6	r-0.3
				Percent change from corresponding quarter of previous year			
1985	I	0.1	-0.9	-1.0	5.3	1.7	5.2
	II	1.2	-1.1	-2.3	6.1	2.3	4.8
	III	0.9	-0.3	-1.1	4.9	1.5	4.0
	IV	0.7	1.0	0.3	3.8	0.3	3.1
	ANNUAL	0.7	-0.3	-1.0	5.0	1.4	4.3
1986	I	2.2	3.1	0.8	3.3	0.2	1.0
	II	2.7	4.0	1.3	2.3	0.6	-0.4
	III	3.1	4.4	1.2	2.4	0.8	-0.7
	IV	r3.2	r4.8	1.5	2.1	r0.7	r-1.1
	ANNUAL	r2.8	4.1	1.2	2.5	0.6	r-0.3

See footnotes following table 6.
r=revised
p=preliminary

March 2, 1987
Source: Bureau of Labor Statistics

Table 6. Nonfinancial corporations: Productivity, hourly compensation, unit labor cost, unit profits, and prices, seasonally adjusted

Year	and quarter	Output per all-employee hour	Output	Employee hours	Hourly compensation (1)	Real hourly compensation(2)	Unit labor cost	Unit non-labor cost(7)	Total unit cost (8)	Unit profits (9)	Implicit price deflator (4)
					Indexes 1977=100						
1985	I	106.0	123.1	116.1	169.9	97.0	160.3	178.5	164.9	129.3	160.6
	II	106.5	124.2	116.6	171.6	r96.9	161.1	179.8	165.8	130.2	161.6
	III	107.8	126.0	116.8	173.1	97.2	160.5	178.3	165.0	141.7	162.2
	IV	107.0	126.1	117.8	174.5	97.0	163.0	179.8	167.2	131.2	162.9
	ANNUAL	106.8	124.8	116.9	172.3	97.0	161.2	179.1	165.8	133.1	161.8
1986	I	106.9	126.9	118.7	175.4	97.1	164.0	181.1	168.3	131.7	164.0
	II	106.8	126.6	118.5	176.1	r97.8	164.8	179.9	168.6	132.3	164.3
	III	106.9	127.0	118.8	176.8	97.7	165.4	182.6	169.8	135.8	165.7
	IV	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
	ANNUAL	p106.9	p127.1	p118.9	p176.5	p97.5	p165.1	p181.3	p169.2	p133.2	p164.9
					Percent change from previous quarter at annual rate(5)						
1985	I	0.8	3.2	2.4	3.8	r0.5	3.0	2.2	2.8	-3.6	2.2
	II	2.2	3.7	1.4	4.2	r-0.3	2.0	3.0	2.3	3.0	2.3
	III	4.9	5.9	1.0	3.4	r1.1	-1.4	-3.3	-1.9	40.1	1.7
	IV	-2.8	0.5	3.4	3.3	r-0.5	6.3	3.3	5.5	-26.4	1.7
	ANNUAL	1.2	3.7	2.5	3.9	0.3	2.7	2.6	2.7	-0.2	2.4
1986	I	-0.5	2.6	3.1	2.0	r0.4	2.5	3.1	2.7	1.3	2.5
	II	-0.3	-1.1	-0.8	1.6	r2.9	1.9	-2.7	0.6	2.0	0.7
	III	0.2	1.3	1.2	1.8	r-0.6	1.6	6.1	2.8	11.0	3.6
	IV	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
	ANNUAL	p0.0	p1.8	p1.8	p2.4	p0.5	p2.4	p1.2	p2.1	p0.0	p1.9
					Percent change from corresponding quarter of previous year						
1985	I	0.6	4.1	3.5	3.8	0.2	3.2	4.3	3.5	-3.8	2.7
	II	0.6	3.1	2.5	4.1	0.4	3.5	3.9	3.6	-5.9	2.6
	III	2.2	4.2	2.0	3.9	0.5	1.6	1.1	1.5	8.7	2.2
	IV	1.2	3.3	2.1	3.7	0.2	2.4	1.3	2.1	0.6	2.0
	ANNUAL	1.2	3.7	2.5	3.9	0.3	2.7	2.6	2.7	-0.2	2.4
1986	I	0.9	3.2	2.2	3.2	r0.1	2.3	1.5	2.1	1.8	2.1
	II	0.3	2.0	1.7	2.6	r1.0	2.3	0.0	1.7	1.6	1.7
	III	-0.9	0.8	1.7	2.2	0.5	3.1	2.4	2.9	-4.2	2.1
	IV	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
	ANNUAL	p0.0	p1.8	p1.8	p2.4	p0.5	p2.4	p1.2	p2.1	p0.0	p1.9

See footnotes following table 6.
r=revised
p=preliminary

March 2, 1987
Source: Bureau of Labor Statistics

SOURCE: Output data from Bureau of Economic Analysis, U.S. Department of Commerce, and the Federal Reserve Board. Compensation and hours data from the Bureau of Labor Statistics, U.S. Department of Labor, and the Bureau of Economic Analysis.

RELIABILITY: Productivity and cost measures are regularly revised as more complete information becomes available. Preliminary results are published 30 days after the close of the reference period; revisions appear 30 days later, and second revisions after an additional 60 days. In the business sector, the probability is 0.95 that the third publication (second revision) of a quarterly index of output per hour of all persons will differ from the preliminary value by between -1.9 and +2.0 index points. This interval is based on the performance of this measure between the first quarter of 1976 and the second quarter of 1986

Footnotes, Tables 1-6

(1) Wages and salaries of the employees plus employers' contributions for social insurance and private benefit plans. Except for nonfinancial corporations, where there are no self-employed, data also include an estimate of wages, salaries, and supplemental payments for the self-employed.

(2) Compensation per hour adjusted for changes in the Consumer Price Index for All Urban Consumers.

(3) Unit nonlabor payments include profits, capital consumption allowances, interest, rental income of persons, and indirect taxes.

(4) Current dollar gross product divided by constant dollar gross product.

(5) Quarterly changes: percent change compounded at annual rate from the original data rather than index numbers. Annual changes: percent change between annual average levels.

(6) Quarterly manufacturing output measures are based on the index of industrial production prepared monthly by the Board of Governors of the Federal Reserve adjusted by BLS to annual manufacturing output levels (gross product originating) from the National Income and Product Accounts prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce.

(7) Unit nonlabor cost includes capital consumption allowances, interest, rental income of persons, and indirect taxes.

(8) Total unit cost is the sum of labor and nonlabor costs.

(9) Unit profits include corporate profits with inventory valuation and capital consumption adjustments.

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